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TRUST TERRITORY OF THE PACIFIC ISLANDS BUDGET REQUEST FOR FISCAL YEAR 1986

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OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC LANDS

OF THE

COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

ON

TRUST TERRITORY OF THE PACIFIC ISLANDS
BUDGET REQUEST FOR FISCAL YEAR 1986

HEARING HELD IN WASHINGTON, DC
FEBRUARY 25, 1985

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TRUST TERRITORY OF THE PACIFIC ISLANDS BUDGET REQUEST FOR FISCAL YEAR 1986

MONDAY, FEBRUARY 25, 1985

House of Representatives,
Subcommittee on Public Lands,
Committee on Interior and Insular Affairs,
Washington, DC.

The subcommittee met, pursuant to call at 9:45 a.m., in room 1324, Longworth House Office Building, Hon. John F. Seiberling (chairman of the subcommittee) presiding.

Mr. Seiberling. The Subcommittee on Public Lands will please come to order.

Today we are holding an oversight hearing on the President's proposed budget for the Trust Territory of the Pacific Islands for fiscal year 1986. Because the budget proposes switching the funding from the Interior Department to the State Department under the proposed Compact of Free Association we have invited a representative from the State Department to address this proposal, as well as other related matters.

Additionally, the budget shows the compact funding beginning October 1, 1985, the start of the next fiscal year. We will want to hear from the State Department and the witnesses what the administration has in mind regarding termination of the trusteeship.

For various reasons, first, the compact funding was not supposed to begin until the trusteeship was terminated. Second, the legal status of the compact with respect to Palau is unclear, to say the least. And the executive branch long has assured this subcommittee that it would not seek a piecemeal end to the trusteeship. Third, there is no guarantee that the compact will have cleared the Congress by October 1, although we are going to make a strenuous effort to try to achieve that result.

One Senate committee and two House committees are involved in consideration of this legislation and it may take some time to arrive at an agreement on the final language. For my part, I have scheduled the last of the compact hearings to take place in March, followed by subcommittee markup by late April. My goal is to see the legislation reported out of the Interior Committee by the May 15 budget deadline.

Because we don't know for certain that the compact will be law and also be in effect by October 1, we will want to hear from the Department of the Interior witnesses what kind of funding will be needed for these governments come October 1, in the event that that should be the case.

Under the Budget Act, the Interior and Insular Affairs Committee, like all other committees in the House, must submit to the House Budget Committee by March 15 its recommendations regarding the proposed budget. Because of the uncertainty regarding the effective date of the proposed compact, we must be ready to fund these governments under the existing authorization if it is premature to fund them under the compact by October 1.

Again, I stress that while we are going to make every effort to see that that deadline is reached, we will be interested in what happens if it is not.

So, we must include in our budget recommendations these kinds of alternatives to make sure there is no gap of any kind in the operation of these governments. The witnesses also include representatives of the three governments, who will comment on the adequacy of the proposed budget and bring any outstanding items to our attention.

The budget constraints operating this year are undoubtly the tightest to date—at least for nondefense matters—so, it is going to make it very difficult to add anything to the budget. However, we intend to do the best we can under the circumstances in order to meet our commitments to the Micronesian governments and to the people of Micronesia.

I will now recognize any other member who wants to make an opening statement.

Mr. **Marlenee.** I yield to my colleague from California, Mr. Lagomarsino.

Mr. **Lagomarsino.** Thank you very much.

I want to welcome today's witnesses, also, and especially appreciate that Assistant Secretary Montoya and Deputy Assistant Secretary Brown will appear before this subcommittee.

America's strategic posture in the Pacific becomes more and more significant each year. It is important, therefore, that the subcommittee have the benefit of the views of the administration's policymakers as we continue to deliberate the political fruit of the Trust Territory of the Pacific Islands in the 99th Congress.

As the chairman has pointed out we have held some 12 hearings already on this subject. The Compact of Free Association proposes to establish new precedents in the concept of international law, expecially in regard to the conduct of mutual security.

The compact proposes that the United States assume defense reponsibilities of the Micronesian States, hoping thereby to preclude extension of the cold war into the central Pacific. Underlying the maintenance of stability in the Pacific during the proposed trusteeship period are manner and amount through which the U.S. Government will subsidize the Micronesian States. Accordingly, the administration's proposal as to how this funding might be accomplished is before the subcommittee today.

I note that in the fiscal year 1986 budget requests' proposed that $2.9 million be provided for continued trust territory operations and that $10.6 million be afforded the representative of Palau. A $16.5-million decrease in the Department of the Interior's budget from the fiscal year 1985 appropriations. That, of course, because the other budget items would be in the compact and would be at least as appropriated by the administration in the Department.

On the other hand, it is proposed that under the terms of the Compact of Free Association, startup costs for the Marshall Islands and Federated States of Micronesia in the State Department's budget, would total $299.3 million in the 1986 fiscal year.

In other words, if Congress accepts the proposal there will be a net increase of approximately $200 million, although the large bulk of that, some $158.46 million, is included in a one time trust fund that will be established under the terms of the compact.

Accordingly, Mr. Chairman, I think it is very important because of the national security interests involved, the security interests of not only us, but of the area, the budgetary items and the budgetary situation we find ourselves in, that we review these requests very carefully.

Mr. **Seiberling**. Thank you. I am in accord with everything you have said.

Any other opening remarks? If not, thank you.

Our first panel consists of the Honorable Richard Montoya, Assistant Secretary for Territorial and International Affairs, Department of the Interior, and Mr. William Brown, Deputy Assistant Secretary for East Asian and Pacific Affairs, Department of State.

Gentlemen, we are happy to have you here today. We look forward to hearing your testimony.

[Prepared statements of Hon. Richard T. Montoya and Hon. William Brown may be found in the appendix.]

PANEL CONSISTING OF RICHARD T. MONTOYA, ASSISTANT SECRETARY FOR TERRITORIAL AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF THE INTERIOR, AND WILLIAM BROWN, DEPUTY ASSISTANT SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. **Montoya**. Thank you, Mr. Chairman. As always it is pleasure to appear before this committee, which has worked very hard, very closely with us in the past and will continue to do so, I am sure, in the future.

Mr. **Seiberling**. May I interrupt just a second. I notice there are not enough seats available in the back. I invite anybody who wants to sitdown, to come up to the lower tier, come up and take advantage of the seats here. We will hold 1 minute while you have that opportunity if you want to use it.

If not—I see somebody does. Fine. Take any place in the lower horseshoe here.

Mr. Montoya.

Mr. **Montoya**. Mr. Chairman, I would appreciate the inclusion of my statement in its totality for the record, and I will attempt to summarize.

Mr. **Seiberling**. That will be done.

Mr. **Montoya**. Our budget request for this year is based on the assumption that Congress will pass the Compact of Free Association. Our numbers in our request reflect that assumption, which we feel is adequate for continuing with Palau and the activities of the trust territory that will be required to close the trust territory when that is appropriate.

Mr. SEIBERLING. That is our assumption, too, I want to make that clear.

Mr. MONTOYA. As members of the subcommittee are already aware the trust territory government has been in a phaseout process for the past 6 years—4 years under this administration—because of the pending approval of the Compact of Free Association. We, at the Department of the Interior, virtually are already assuming a large number of responsibilities previously administered by the trust territory government in anticipation of compact appoval.

We are now in the process at the Interior, with the assistance of a special task force, authorized by the Secretary of the Interior to investigate different methods for final phasedown of trust territory operations at the appropriate time. OTIA and the High Commissioner's office are awaiting the results of the special task force study and we will make recommendations to the Secretary to develop a timetable for final elimination of functions or assumption of functions by the new governments or Department of the Interior; review necessary changes in executing law that may be required to accomplish our task; ensuring essential services called for by the United Nations trusteeship agreement for Micronesia are maintained, while undergoing transition; and, finally, the phaseout of the operations of the High Commissioner.

As I have said, Mr. Chairman, we have tried to keep the subcommittee fully advised on all the actions that we are taking with regard to the trust territory. We will continue to do so. We enjoy a good working relationship with you and your staff and we are thankful for that.

As has been noted in the opening comments by Congressman Lagomarsino, our budget request is for $13.5 million for the Trust Territory of the Pacific Islands. This includes continuing operations of the trust territory and Palau. Funding for the Marshall Islands and the Federated States of Micronesia would be moved over to the State Department. We feel that this is appropriate. We feel that with the nearly $350 million that we have already provided for construction, that the basic infrastructure that the administration was committed to is in place, and therefore, no additional funds are requested. We expect ongoing construction to continue for the next 2 years into fiscal 1987.

I would like to compliment the legislature in the state of Truk for taking a bold action in voting down the purchase of an IPSECO gas turbine that was in Palau. This turbine, Mr. Chairman, was being offered to the people of Truk for a price of $1.2 million. We have other offers to provide the same capability for about $900,000. It is interesting to note that the Palau gas turbine is about 15 years old and has had a break down rate of 30 percent of the time, and it uses very expensive diesel fuel rather than bunker fuel.

Again, I wish to compliment the legislature in Truk for taking this action which we feel would have been very costly, and we hope that they refrain from any other efforts to buy these generators that might not be the best deal, either in the short term or the long term.

That pretty well concludes my opening statement, Mr. Chairman, with the exception of again complimenting the government of Palau, specifically the legislative body, the OEK, for taking another bold action, and that was an increase in their tax rates last year that provided an additional $200,000 for fiscal year 1985, and will provide an additional $2 million for fiscal year 1986.

It is a good sign that the people of Palau are starting to appreciate that if you have pay raises you have to have accompanying revenue increases or you have to cut your spending. The chairman of the Appropriations Committee on the House side and on the Senate side were most helpful in this endeavor by cosigning a letter to Palau, specifically to OEK, saying they had to live within their means. I want to commend them for taking appropriate action. Thank you very much.

Mr. **Seiberling**. Does that complete your testimony?

Mr. **Montoya**. Yes, sir.

Mr. **Seiberling**. Let me just ask you a clarifying question before we proceed with the other witnesses.

Was the contract that Truk voted down the one with IPSECO?

Mr. **Montoya**. The action that the Truk legislature took was in turning down an action by the Governor of Truk to purchase a gas turbine.

Mr. **Seiberling**. Was this the one proposed to be purchased from IPSECO?

Mr. **Montoya**. It is owned by IPSECO and it is currently in Palau.

Mr. **Seiberling**. So, they were just going to buy it from IPSECO, and it is already there?

Mr. **Montoya**. No. They would buy it from IPSECO and move it over to Truk.

Mr. **Seiberling**. I see, it is not at Truk now.

Mr. **Montoya**. No, sir.

Mr. **Seiberling**. It is in Palau?

Mr. **Montoya**. It is in Palau.

Mr. **Seiberling**. What would happen in Palau?

Mr. **Montoya**. Well, in Palau, we have spent about $900,000 in bringing that system up to speed, awaiting the IPSECO plant from taking over, which is some time this summer.

Mr. **Seiberling**. This isn't the same plant Palau has been using then, is it?

Mr. **Montoya**. If you will recall in Palau you have the regular powerplant that has the smaller size generators and they had this gas turbine as an adjunct to that existing powerplant. It was a mobile unit and it had been there for about 2 years. I have been advised that during that 2-year period it has been down about 30 percent of the time. It has just been closed down there in Palau and the intent was to sell it to Truk.

Mr. **Seiberling**. Will Palau be out of electricity then?

Mr. **Montoya**. On the contrary, they have a power system that is up now mainly because we have moved Jim Carrier in there—that is my power consultant on loan to us from American Samoa—who has evaluated the system. He sent a couple of experts over there to run the Palau powerplants, the regular powerplants. Those are all on-line now. We put in about $900,000 in operation and maintenance money to bring the Palau plant up to speed. The IPSECO plant, the one that is 16 megawatts in size, is currently

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under construction, and it is anticipated that that will be completed this summer.

Mr. SEIBERLING. I will be going back into it later, but I wanted to just clarify the record.

All right, thank you.

Mr. Brown.

Mr. BROWN. Thank you. I am pleased to appear before you today and I am accompanied by Mr. James Berg, a State Department officer. I request my prepared statement be entered in its entirety, and with your permission I will summarize.

Mr. SEIBERLING. Without objection we will do that.

Mr. BROWN. When President Reagan submitted the compact to the 98th Congress for enactment by both Houses, he stated the two primary reasons that this administration, and every other administration since 1969, believes that the compact, when enacted and put into effect, will advance the national interests of the United States and will serve our regional and overall foreign policy goals.

First, the President said that the defense and security provisions of the compact "are of great importance to our strategic position in the Pacific and enable us to continue preserving regional security and peace."

Second, addressing the obligations of the United States to the international community under the trusteeship agreement, the President stated that the "Compact of Free Association with the governments of the Federated States of Micronesia and the Marshall Islands would fulfill our commitment under the agreement to bring about self-government."

It is the administration's hope that the Compact of Free Association can be approved and its implementation begun by the beginning of the next fiscal year. For this reason, the President included a request for full first year compact funding in his budget proposal, and did not include a contingency request to continue the present funding arrangements for the Marshall Islands and the Federated States of Micronesia.

The President's request for first year compact funding totals $299.27 million. Of this amount, just over one-half, or $156.46 million, is for special purposes and will not be requested in future years. The remainder, approximately $414 million, constitutes the fiscal year 1986 portion of the recurrent grants, governmental current and capital account purposes specified in Title Two of the compact.

Compact funding for the remaining 14 years of the initial funding period will average approximately $143 million for the Marshall Islands and the Federated States of Micronesia, including inflation adjustment and the estimated cost to the United States to provide the Federal services contemplated in the compact.

The President's request for compact funding is included in the Department of State chapter of the fiscal 1986 budget. The administration organized its request in this way in light of its intentions with respect to executive branch organization for the management of the new relationship. As I think you know, we contemplate the creation of an interagency professional office, headed by a Department of State officer with deputies from Defense and Interior and personnel for these and other agencies as required, which will be attached to the Department of State for administrative support and budgetary services.

This office will be responsible to an interagency policy committee, which is chaired by a State Department officer and reports to the National Security Council. It is in this context that the Department of State budget offers the most logical place for the Compact of Free Association line item.

The formal organization of the President's budget with respect to the compact is, of course, entirely independent of the manner in which the interested committees of the Congress may choose to deal with the substantive questions involved.

Mr. Chairman, in your letter, you also asked that I provide you with a report on the status of Ambassador Zeder's discussions with Palau on the Compact of Free Association. I think you know that in Palau's November 30, 1984, national elections, the incumbent president and vice president were returned to office by substantial majorities and that there were some changes in both houses of the Palau national congress.

You also know that Palau President Remeliik called a vote on the Compact of Free Association and received approval from about 67 percent of those voting. However, both the compact and the ballot in that vote specified that, to be considered approved, the compact would have to receive a majority of at least 75 percent. The 75-percent requirement was specifically included in the compact and on the ballot in order to protect our full defense authority from legal challenge based on the Palauan constitutional provision requiring a 75-percent vote to authorize the use, testing, storage and disposal of nuclear weapons in Palau.

Therefore, aside from the fact the September vote was not observed by the United Nations, the compact was not approved by its own terms and the terms of the ballot, both of which were agreed to by the United States and Palauan governments prior to the election.

The administration urges the Congress to enact the Compact of Free Association at an early date. In this connection, Mr. Chairman, I want to mention again that we are heartened to see your commitment to expedite the process. We pledge to you our support and assistance to this end.

Mr. SEIBERLING. Thank you very much.

Let me start off with Mr. Montoya.

Mr. Montoya, you state that with the fiscal year 1985 appropriations for the current year, all construction projects included in the administration's capitol improvement program have been funded, therefore, no additional funds are being requested for this activity.

What about the pledge that we made some time ago about funds for the capitol buildings of the Federated States of Micronesia, the Marshalls, and Palau?

Mr. MONTOYA. Mr. Chairman, that administration commitment still stands. As you know, we requested $21 million. We have already funded $6.8 million of that total $21 million commitment for A and E. There is no diminishing of the administration's commitment on the initial $21 million that was requested.

However, for the past 3 fiscal years the administration has requested the $14.2 million and Congress had continued to turn that down. We felt that it would be appropriate to go ahead with Congress and to again voice our commitment to the construction of those capitols but we felt when Congress was ready to put that additional $14.2 million in, hopefully at the present time, it would be put in the budget.

Mr. **Seiberling**. Well, if the administration doesn't ask for it, do you think Congress will ever put it in?

Mr. **Montoya**. That has been the case in the past, Mr. Chairman.

Mr. **Seiberling**. Well, then it isn't correct to say that all construction projects included in the administration's capital improvement programs have been funded?

Mr. **Montoya**. With the exception of the capitols.

Mr. **Seiberling**. Now, going back to the powerplants, we understand that Palau is about to default on its loan payments to IPSECO with respect to the powerplant, in a default to British bankers. Is that true?

Mr. **Montoya**. That is correct. As I understand it, Palau is in negotiations with the English bankers on the possibility of a refinancing of the $2.7 million that comes due on March 2. We have not heard specifically how those discussions are going on, the refinancing. But that is as much as I know about the Palau IPSECO deal and this structure.

Mr. **Seiberling**. What will that do to the completion of the powerplant if there is a default?

Mr. **Montoya**. We anticipate that it will continue on schedule, Mr. Chairman, if the Marshalls is any indication, the English did refinance the Marshalls' IPSECO powerplant.

Mr. **Seiberling**. But we have no commitment to assist in completing that plant, I understand?

Mr. **Montoya**. It is interesting to note, Mr. Chairman, that from the time we were first advised about the IPSECO approaching Palau, and for that matter the Marshalls, that we continued to take the position that we felt that 13 megawatts was far more than what is needed by either one of the governments and that the price involved—some $39 million—was more than they could afford to handle. But yet the deal was cut over strong objection on our part, that it was not the best approach to take, and with regard to Palau, they turned down an offer by the Congress of $4.5 million for 8 megawatts of power. That would have provided them far in excess the power they needed at the current time.

They turned down, and we came back to Congress and asked to reprogram that $4.5 million to provide that power to the Federated States of Micronesia. That has moved forward. We are bogged down right now in a procurement dispute but we are anticipating that four megawatts will be given to Pohnpei, two to Truk, and two to Yap.

Mr. **Seiberling**. What is the status of the Marshalls' powerplant and the contract there with IPSECO?

Mr. **Montoya**. The status of the Marshalls' powerplant is that it is on-line, it is working, and they refinanced it this past summer, I believe, and the dollar amount on that was around $27 to $32 million.

Mr. **Seiberling**. Did we have any role in helping finance that plant?

Mr. Montoya. No, sir, we did not.

Mr. Seiberling. Are they going to be able to make their payments?

Mr. Montoya. That would probably be a question best addressed to the representatives from the Marshalls and from Palau.

Mr. Seiberling. Thank you. My time is expired.

Mr. Lagomarsino.

Mr. Lagomarsino. Thank you, Mr. Chairman.

Mr. Secretary, in your written statement you comment on the Four Atoll Health Care Program, you didn't mention that in your oral statement. I would like you to explain it to the committee—we have a lot of new members on the committee and I think they are going to be interested to know what has been done, because as you say in your statement, this is something that has been of tremendous importance to this subcommittee.

Mr. Montoya. Thank you. We have been working very closely with this committee on the Four Atoll Health Care Program. It has been one of the programs that my staff—with my Deputy Assistant Secretary, Kitty Baier, taking the lead on it—has worked very closely with Pat Krause of the committee's staff.

We had negotiations with some of the contractors to provide ongoing health care to the affected residents of the four atolls that were affected by our nuclear testing in the early 1950's. Four million dollars was provided, $4 million for this ongoing health program, and though the Marshalls government did not necessarily agree with the concept they are now cooperating with us, and they will cooperate with the contractor once the contractor is selected to provide this ongoing assistance.

We fully intend for this contract to be let by the middle of March, and within a couple of weeks thereafter to be on the ground, and running.

Again, I think this is something that we can brag about, that after much discussion, much consultation, between this committee and our office, that we finally got an agreement, and finally got a program for these affected residents of the four northern atolls.

Mr. Lagomarsino. Thank you, Mr. Chairman.

Mr. Seiberling. Thank you.

Mr. Darden.

Mr. Darden. Mr. Chairman, I have no questions.

I will be glad to yield my time back to you if you have further questions.

Mr. Seiberling. Thank you, I will go through the members here and then we will have extra time.

Mr. Marlenee.

Mr. Marlenee. Mr. Chairman, I will pass right now.

Mr. Seiberling. Mr. Hansen.

Mr. Hansen. I have no questions.

Mr. Seiberling. Mr. Sunia.

Mr. Sunia. Thank you very much, I have just a couple of short ones.

I am just curious if Secretary Brown's area covered all of the Pacific?

Mr. Brown. Could you repeat that, I am sorry.

Mr. **Sunia**. Does your area of responsibility cover the whole Pacific?

Mr. **Brown**. Yes; East Asia and the Pacific.

Mr. **Sunia**. Thank you.

I would like to say hello to the Secretary, again, it is nice to see you once again. I would like to find out if I heard you correctly. You said the administration offered $4.5 million for an 8-megawatt generator?

Mr. **Montoya**. I am sorry, I have been corrected. It is 16 megawatts, 8 engines.

Mr. **Sunia**. Sixteen megawatts, and we offered $4.6 million?

Mr. **Montoya**. $4.5 million for the 16 megawatts.

Mr. **Sunia**. Would that have been the total cost of the generator?

Mr. **Montoya**. That would have been the total cost as well as setup of the plant.

Mr. **Sunia**. Now, that was a 16-megawatt generator, and the one they bought is 13?

Mr. **Montoya**. Eight generators that provided a total of 16 megawatts; yes. The IPSECO plant is 4 generators providing a total of about 13 megawatts.

Mr. **Sunia**. And the total cost of that is $39 million?

Mr. **Montoya**. $36 million, approximately.

Mr. **Sunia**. Is there any explanation why anyone would reject 16 megawatts costing $4.5 million and take 13 megawatts costing $36 million?

Mr. **Montoya**. As I understand it, Congressman, the additional cost included a 6-million-gallon tank farm that was supposed to be used to provide fuel to the Japanese fishing fleet, and then it was full financing, it was a 100-percent finance deal, so in essence, you get 13 megawatts plus full financing, plus a 6-million-gallon tank farm.

Mr. **Sunia**. The alternative would have been a 16 megawatt for free?

Mr. **Montoya**. Essentially, yes.

Mr. **Sunia**. OK. Thank you. I yield back the balance of my time, Mr. Chairman.

Mr. **Seiberling**. Was that the total cost, $4.5 million for the 16-megawatt plant?

Mr. **Montoya**. For the $4.5 million they would have had a complete powerplant.

Mr. **Seiberling**. Now, you say the 13 megawatts is in excess of their needs, so why put in a 16-megawatt plant?

Mr. **Montoya**. We felt if we provided them with a like number of megawatts that it would give them adequate inducement to go with us and not endanger their long-term obligations. The point was made by them that there was rapid increase in their power needs because of the hotels that are being built in Palau, so, again we tried to provide them with the same amount that was being offered by the IPSECO group.

Mr. **Seiberling**. Thank you.

Mr. Strang.

Mr. **Strang**. Thank you, Mr. Chairman, I have no questions. I yield my time to the Chair.

Mr. **Seiberling**. Mr. Blaz.

Mr. **Blaz**. Thank you.

Mr. Secretary, I gather from the testimony that there is a possibility that the trust territory government may phase out ahead of the termination of the trusteeship agreement, is that correct?

Mr. **Montoya**. This is not necessarily correct. We are in a phasedown mode for the trust territory headquarters. That is a continuation of the fine work that the High Commissioner has been doing. She has trimmed the size of her staff down from 300, when she first assumed her position back in 1981, to the current level of about 160 people. There will be a substantial reduction in staffing just because many of those responsibilities that were previously handled by the High Commissioner's office are now being handled by the various governments out there.

There is a clear distinction between trust territory headquarters, and trust territory government. I think we can agree on maintaining the trust territory government. This is very important to the United States for various ongoing legal claims by either employees or residents of the trust territory, and that trust territory government has to remain until many of these residual legal questions are resolved.

So, there is an action by the administration to further reduce the size of the trust territory headquarters, but until the compact—and I will seek some further definition from my colleague from the State on this—but it is my understanding that until the compact is terminated that there will be a need to continue the trust territory government.

Mr. **Blaz**. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. **Seiberling**. Mr. Udall.

The **Chairman**. I have no questions, Mr. Chairman. You and your subcommittee are doing a great work in this area with Mr. Lagomarsino. And all of us have some important decisions to make in this area regarding the trust territory. I will sit in as much as I can on your deliberations.

Mr. **Seiberling**. Thank you. We are going to try to wind up our responsibilities with respect to the compact expeditiously, and with everybody's help, I think maybe we will make it.

Mr. **Marlenee**. Mr. Chairman.

Mr. **Seiberling**. Mr. Marlenee.

Mr. **Marlenee**. If the chairman would yield, I ask unanimous consent that members may have the opportunity to submit written questions and submit those for the record.

Mr. **Seiberling**. That will be done. I assume that Interior and State will be prepared to give us an expeditious response.

We will keep the record open for about 10 days at least to accommodate.

Mr. **Seiberling**. I have some additional questions, gentlemen.

Mr. Montoya, in your statement you also mentioned the fact that your office has hired an engineer who will be working out of Guam and supervising the operations and maintenance programs in the trust territory. How long will he be doing this?

Mr. **Montoya**. He should be with us for about 2 years.

Mr. **Seiberling**. What kind of budget will he have?

Mr. **Montoya**. First of all I would like to say that this is one of the steps that I am very pleased with in finding Bill Wyatt, who is on loan to me for the next 2 years by the Bureau of Reclamation.

At the present time, he has the remainder of enhanced operation and maintenance funds of about $12 million. We felt that it was necessary to have a particular person that would be able to work with the governments, to coordinate and to analyze their operations and maintenance plans.

You and I have discussed in many hearings the need for better maintenance of facilities and enhancing the capability of the various governments regarding staffing. This $12 million that Mr. Wyatt is handling for us is providing that assistance, and for your information, Mr Chairman, we have notified President Nakayama and Governor Aten, to see that Truk hospital has a high priority in the use of those enhanced operations and maintenance plants in their operations and maintenance plan. I think we have assurances from the Federated States of Micronesia that this will be in fact done.

Mr. **Seiberling**. Well, as you know that is extremely important, because if we do provide these capital facilities and they are not properly maintained, why, it is just money down the drain, that is all.

I assume that the $12 million is money that is already appropriated?

Mr. **Montoya**. That is correct, Mr. Chairman. That is no-year money and that came in fiscal years 1984 and 1985.

Mr. **Seiberling**. What role would you envision your office playing in the post trusteeship period under the administration proposal to switch authority in funding to the Department of State?

Mr. **Montoya**. We see us as being full operating partners in post trusteeship administration. We had come up with the concept of interagency group to handle the post trusteeship administration because no one department or agency, I think, could provide as good service to these emerging freely associated states as the combined group.

We have knowledge in the area of administration. I think that we have improved our administration and our image in the trust territory over the past 15 months or so because our staff has been very diligent in getting out to the trust territory governments and providing the hands-on approval: Let's talk, let's see what you really need and let's do some planning on how you are going to handle your governments after the compact goes through.

State, on the other hand, brings a different element to these governments that we feel provides another asset for them and I think the interagency group concept is probably the best we could come up with.

Bill.

Mr. **Brown**. I heartily agree.

Mr. **Seiberling**. Will there still be an Office of Assistant Secretary for Territorial Affairs in the Interior Department if Micronesia is independent under the compact?

Mr. **Montoya**. To the best of my knowledge there will be.

Mr. **Seiberling**. What will be its responsibility, just the U.S. insular areas?

Mr. MONTOYA. We will continue to handle the U.S. insular areas. We will have some duties regarding this interagency group, I would imagine.

Mr. SEIBERLING. By what date do you anticipate receiving the results of your office's task force study on phasing down the trust territory operation?

Mr. MONTOYA. I would think that that will be coming back to us within the next 30 days, Mr. Chairman. It has taken a little bit longer than we anticipated, but within the next 30 days.

Mr. SEIBERLING. Can you tell us how much money would be needed for the FSM and Marshalls in fiscal year 1986 if the compact should not become law by then?

Mr. MONTOYA. It would be about $54.5 million. That would essentially be the 1985 levels carried over into 1986 for both governments.

Mr. SEIBERLING. Finally, in your statement you say that the Department of the Interior is requesting $300,000 for the College of Micronesia in fiscal year 1986. How much was requested in fiscal year 1985?

Mr. MONTOYA. In fiscal year 1985 I have a total of both College of Micronesia and communications but specifically for the College of Micronesia it is $1.6 million.

Mr. SEIBERLING. How much did the three governments each pay toward the college's funding?

Mr. MONTOYA. They didn't provide any at all and that was the concept, that we would fund it, but under the compact the feeling is that there would be a shared expense that would be contracted to by the FSM and the Marshalls.

Mr. SEIBERLING. How much was requested in fiscal year 1985?

Mr. MONTOYA. $1.6 million, sir.

Mr. SEIBERLING. And was that request approved? That money approved?

Mr. MONTOYA. That is correct.

Mr. SEIBERLING. Thanks.

Mr. Vento.

Mr. VENTO. Thank you, Mr. Chairman.

Mr. Brown, the summary we have of compact funds being sought for fiscal year 1986 lists essentially section 231 of the compact, one of the sections for which money is provided in the budget. Since this section refers to negotiations to occur on the 30th anniversary of the effective date of the compact, why should we put money now in the fiscal year 1986 budget?

Mr. BROWN. I would note, sir, section 231 is by way of authorization in that regard.

Mr. VENTO. The negotiations you are asking for money in the 1986 budget. I understand that refers to negotiations that are to occur the 30th year of the effective date of the compact. I mean, that is what the question is, I understand that it is an authorization, but you are seeking it now.

Why are you seeking it now when you still have to do the negotiations?

Mr. BERG. Mr. Vento, you are reading from the President's budget message?

Mr. VENTO. Yes.

Mr. **Berg**. That section 231 does, in fact, provide an authorization for funds that may be necessary if the renegotiation of the compact goes into years 16 and 17. Since, however, the administration is also seeking permanent indefinite appropriations authority from Congress it was necessary for the administration to identify all sections of the compact that might offer its entire funding period to bring about the expenditure of dollars.

Mr. **Vento**. What is the practical effect then?

Mr. **Berg**. In fiscal year 1986 there is no effect.

Mr. **Vento**. There is no effect and therefore either you are going to get the continuing appropriation or not?

Mr. **Berg**. That is for Congress to decide, sir.

Mr. **Vento**. In other words, it is an either/or situation?

Mr. **Berg**. That is correct. If Congress does grant the administration's request for permanent indefinite appropriations then compact appropriations would be handled in a particular way very similar to the Civil Service Retirement Fund. If it does not grant that request then the methodology will be different.

Mr. **Vento**. What amount of money in the 1986 appropriated budget would we use to fund section 122 of the compact? That is the section that refers to the training and instruction of Micronesians at the Foreign Service Institute?

Mr. **Berg**. The estimated amount for that is $284,000.

Mr. **Vento**. That would be simply for fiscal year 1986? Is that right?

Mr. **Berg**. Yes, sir.

Mr. **Vento**. How many individuals, what is the goal here? Would you outline that for the committee, what you are trying to do in terms of the Foreign Service Institute? How many individuals would be served?

Mr. **Berg**. The goal there is to provide entry level and some advanced training for persons nominated by the government of the Marshall Islands and the Federated States of Micronesia. It is estimated during 1984 the governments will nominate in the neighborhood of 10 to 15 individuals. Startup costs, program design and curriculum design are all included in that amount because this will be the first cycle we will have for this type of training.

Mr. **Vento**. Mr. Berg, I am not too familiar with this program. This will occur then in the Micronesian Islands?

Mr. **Berg**. No, sir, it would occur here in Washington, DC.

Mr. **Vento**. They would have to be transported here, part of the high costs and startup costs, it is transportation and per diem and whatever else is paid?

Mr. **Berg**. That is correct.

Mr. **Vento**. Congress has not yet determined where the funding should reside. Why then has there been a State Department liaison for the past 6 months or so living in the Marshalls, Mr. Brown?

Mr. **Brown**. Sir, that individual is on TDY. He is on the staff of the President's personal representative for Micronesia status negotiations, Ambassador Zeder, who decided to position him on TDY. That is at Majuro, 3,000 miles and a day and a half by plane from Saipan.

The Ambassador made the decision for reasons of economy and efficiency and as far as I can determine he did so completely within the authority of his office as established over 14 years ago and we would be happy to place additional information and background documents in the record to complete that statement.

[Editor's note.—In response to Mr. Vento's question, the Department subsequently supplied the following additional information:]

During the Hearing on the Compact of Free Association before the House Interior and Insular Affairs Committee on February 25, 1985, you asked Deputy Assistant Secretary Brown why the Administration was posting members of the Status Liaison Office at the Headquarters of the Administration for the Trust Territory of the Pacific Islands in the capitals of the Marshall Islands and the Federated States of Micronesia (FSM). You also asked about the source of the funds for the costs associated with posting these Foreign Service Officers in the Trust Territory.

The Office for Micronesian Status Negotiations (OMSN), in the Executive Office of the President and which is headed by Ambassador Zeder, the President's Personal Representative for Micronesian Political Status Negotiations, has maintained a Status Liaison Office in the Trust Territory since 1970. This office has been staffed by one, then two and more recently three State Department officers. The costs associated with the Status Liaison Office have been reimbursed by OMSN. Initially these officers were stationed on Saipan, at the site of the Trust Territory Headquarters, and as a regular practice travelled from there to the capitals of the new Micronesian states to conduct their liaison activities with the leaders of the newly emerging governments. It might be noted that the Trust Territory encompasses an area the size of the United States, and air travel to these distant capitals is both expensive and time consuming.

With the phase-down of the Trust Territory Headquarters and the related increase in activity by the new constitutional governments, Ambassabor Zeder judged it to be prudent and useful to place an officer in the Marshalls, the most distant of the Micronesian capitals, on a temporary duty basis. This individual while assigned to the office on Saipan, will be spending the bulk, but not all of his time in the Marshalls. In the near future, the Ambassador plans to post another officer, also on the same temporary duty basis, to Pohnpei, the capital of the FSM.

The rationale for these actions by the Ambassador was predicated both on cost and political considerations. Temporary duty costs in the Micronesian capitals are significantly less expensive than frequent round trip air travel; more importantly the shift in the political focus from the Trust Territory Headquarters to the new constitutional governments has made it imperative that the U.S. Government have rapid and regular access to the island government leaders as they plan and make decisions regarding their future relationships with the U.S. and other matters related to the Compact.

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Mr. **Vento**. I think that would be helpful because we want to know where the funding came from for the person. I think specifics would be desirable. We also understand that the State Department is planning to assign one to the FSM. I don't know if you referred to that in your answer. I didn't hear it. So I think that the funding and the FSM now, and provide more detail for the record.

Mr. **Brown**. We would be glad to provide the information for the record. The individual at Majuro is on the staff of Ambassador Zeder and has been put there on a TDY basis. I have forgotten where the funding for that is.

Mr. **Vento**. If you don't remember, that is fine.

Thank you, Mr. Chairman.

Mr. **Seiberling**. Mr. Lagomarsino.

Mr. **Lagomarsino**. What percentage of the funds allocated by the compact are pledged on the basis of the full faith and credit of the United States, Mr. Brown and Mr. Berg?

Mr. **Seiberling**. You are referring to the $299 million?

Mr. **Lagomarsino**. Yes, the compact funds.

Mr. **Brown**. I believe that is in the order of about 85 percent, sir.

Mr. **Lagomarsino**. It is pretty obvious what our rights and duties are under the compact, our duty is to provide the money, our rights are, I guess, to provide the money. What are the rights and duties of the Micronesian governments under the compact? They are under what control—we have asked this question before but I would like to ask it again—what control do we have over those funds once the compact is approved?

Mr. **Brown**. I will be happy to invite Mr. Berg to comment in more detail on that. I think that overall we have come to a juncture where after a long and intensively negotiated process we are putting up money significantly front ended so that they can achieve as much self sufficiency as possible and fulfull their concept of self government, and it is up to them to spend that money appropriately and in the first instance to monitor it.

There are, as you know, detailed provisions within the compact for reporting to us on that.

Mr. **Lagomarsino**. Obviously under the compact the governments of Micronesia assume certain obligations and we have certain rights, the most important one being the right of denial.

What if the governments or one of them should violate that understanding? Would we be allowed in that case to withhold the funds?

Mr. **Berg**. If it is a violation of a genuine nature the compact of course has a dispute settlement mechanism, arbitration, a binding arbitration, and if the United States felt that one of the freely associated state governments had not lived up to a specific obligation it could being a dispute to the tribunal.

The U.S. obligation under full faith and credit is to provide the funding annually. Once received the freely associated state governments are under obligations with respect to how they must use it.

These are broadly stated in the compact and the subsidiary agreements, but they are going to be much more specific in the national government plans which we will approve. Also the freely associated state governments are required to make annual reports to the Congress and to the executive branch on how they spent last year's money and how they plan to spend next year's. These are financial reports as well as economic reports.

Third, the U.S. Government will have its own auditors there and we will be able to confirm the reports from the freely associated states. With respect to not giving them money in the future, if the funding is of the nonfull faith and credit nature that funding is provided specifically subject to appropriations by Congress.

If it is subject to full faith and credit then the matter would become one of dispute between the United States and the freely associated states and we could handle that in arbitration.

Mr. **Lagomarsino**. Thank you.

Mr. **Seiberling**. Well, just to followup on that, I am a little confused. The budget calls for $299 million for the Marshalls and the FSM for compact funding in fiscal year 1986 and Mr. Brown, you said that 85 percent of that approximately would come under the full faith and credit provision.

Now, I understand the $299 million includes—well, does it—does it include the $150 million trust fund?

Mr. **Berg**. Yes, sir, it does.

Mr. **Seiberling**. That is not a full faith and credit item, is it?

Mr. **Berg**. That is correct. I think that the approximately 85-percent number refers to the way compact funding will exist over the full period, not counting the one-time payments.

Mr. **Seiberling**. So if we subtract the $150 million for the trust fund from the $299 million, that leaves $149. How much of that is full faith and credit money?

Mr. **Berg**. The exact number, sir, for fiscal year 1986 are full faith and credit 120.52 and nonfull faith and credit 178.75, but if you take out the 150 that of course leaves 28.75 nonfull faith and credit.

Mr. **Seiberling**. Yes. Why wasn't the other $28 million covered by full faith and credit?

Mr. **Berg**. For two reasons primarily, Mr. Chairman. One is that a portion of that, approximately 10.17 in fiscal year 1986 is an estimate of the cost to the United States to provide the Federal services. So that will—that funding will not go to the freely associated states as cash. It will be provided to them as services and will be recirculated here in Washington among the agencies who will be providing those services. Also there is a large amount——

Mr. **Seiberling**. So we have not committed the full faith and credit of the United States to providing the overhead services?

Mr. **Berg**. We have not, sir. We have provided—those services are provided subject to appropriation of fund by Congress.

Mr. **Seiberling**. If they are not appropriated, what would happen to the other full faith and credit funds? Would that impair their ability to use those funds?

Mr. **Berg**. If the service funds were not appropriated?

Mr. **Seiberling**. Yes.

Mr. **Berg**. No, it would not impair their ability to use the full faith and credit funds.

Mr. **Seiberling**. What would it do then.

Mr. **Berg**. If Congress chose not to appropriate the funds for the services then the administration would not be able to provide them.

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Mr. Seiberling. So the services are not covered by full faith and credit?

Mr Berg. That is correct.

Mr. Seiberling. Only the money?

Mr. Berg. That is correct, sir.

Mr. Seiberling. Would the Micronesian governments have to pay for the services out of their own pocket?

Mr. Berg. Yes, they would if Congress chose not to appropriate that funding.

Mr. Seiberling. Well what is the commitment of the executive branch? Is OMB going to get cute and decide they do not want to fund these services, as they do not on so many other things, or is there a commitment by the executive branch, at least a moral commitment to provide those services?

Mr. Berg. There is. The language of the compact is quite clear—the compact envisions our providing these services at the level of their existence on the last day of the trusteeship.

The President's budget for 1986 does include an estimated amount and we have also published a 15-year funding table for the compact that includes our estimates for these services for the entire 15-year period.

If I may make just one other point, the way the President's budget is set up with a request for permanent and indefinite appropriation authority for the full faith and credit funding and current appropriation authority for the programs, you can see there that the administration does comply asking for this funding for the full 15-year period.

Mr. Seiberling. The same thing is true with the trust fund money?

Mr. Berg. Yes, sir. The trust fund, the $150 million for nuclear claims——

Mr. Seiberling. Yes.

Mr. Berg. That is just a one-time amount in the first year and we did include that in the request.

Mr. Seiberling. You have no doubt—well, that is in the budget, so I guess OMB committed.

Mr. Berg. Yes, sir.

Mr. Seiberling. We have to figure out what OMB is going to do because they are kind of a loose cannon, and they don't seem to follow any particular rules that apply to the rest of the Government.

The U.S. Ambassador to the U.N. Trusteeship Council, Harvey Feldman, on a recent tour of Micronesia was quoted as having urged the Northern Marianas, the FSM, and the Marshalls to petition in the U.N. to terminate the trusteeship agreement without waiting for Palau.

Does this represent an official view of the State Department?

Mr. Brown. From the beginning I think 14-plus years of negotiation will demonstrate it was not a desire either of this administration or I believe any previous administration to go into this process on a piecemeal basis.

At the same time, we have an understandable chorus from the territories involved, the well-known phenomena of the Northern Marianas, who have been waiting for so long having made their decision on commonwealth, and more recently the plebescite demonstrating the people's will in Micronesia and the Marshall Islands and indeed although less of the required 75 percent, Palau themselves, to move on ahead.

Therefore, although the negotiating history amply demonstrates that it has always been the intention of this and previous administrations that the train and all passengers leave together, we are put in a position where we believe the train should move and we would very much hope that Palau for its part could deal with the compatibility aspect of its internal constitutional arrangements, but failing that, we nevertheless believe that the time has come for the train to leave the station and that we take this to the United Nations after Congress has hopefully passed the compact.

We would hope naturally in the interim that Palau would come aboard.

Mr. SEIBERLING. Of course, the U.N. could very well approve that request and that would solve the problem as far as the trusteeship remaining for these three entities is concerned.

I presume that Palau under those circumstances would still be a trusteeship?

Mr. BROWN. Yes, sir.

Mr. SEIBERLING. Now, of course, as far as the Northern Marianas is concerned they have worked out their arrangements with the United States so it really doesn't matter in practical terms whether they are under the trusteeship or not, does it?

I mean, they are going to be—if the trusteeship terminates will there be any difference at all in the relationship of the Northern Marianas to the United States?

Mr. BROWN. Oh, yes. They would be a Commonwealth—they would have——

Mr. SEIBERLING. Aren't they a Commonwealth now for all practical purposes?

Mr. BROWN. In strictly legalistic terms——

Mr. SEIBERLING. I don't mean legalistic, I mean practical.

Mr. BROWN. They conduct themselves, see themselves one way, but I would defer to my distinguished colleague from Interior on that regard, sir.

Mr. MONTOYA. Two main differences, Mr. Chairman.

First of all, they become full-fledged U.S. citizens and second, they get a delegate to Congress which are both very important to them.

Mr. SEIBERLING. They are not U.S. citizens at the present time?

Mr. MONTOYA. They are betwixt and between right now.

Mr. SEIBERLING. Well, those are both important differences. I didn't know that there was a delegate provided for the Northern Marianas. I know there is a representative now, but would they get a delegate? Wouldn't Congress have to decide that?

Mr. MONTOYA. I have been corrected, Mr. Chairman.

Mr. SEIBERLING. All right. Thank you.

Well, I guess that answers all the questions I have. Are there any more questions for these two gentlemen?

Mr. VENTO. Mr. Chairman, I just had one question.

We were looking at the 15-year period and this plan that is being submitted for both the Marshalls and the Federated States of Micronesia apparently is a 15-year plan, is that correct, Mr. Brown?

Mr. **Brown**. Yes.

Mr. **Vento**. You have testified in other words that that then sets out all the development and how the resources will be used over the next 15 years?

Mr. **Brown**. Yes.

Mr. **Vento**. What is the review and concurrence sort of provision? Has that plan has been submitted? Is the State Department, the Department of the Interior, the executive branch ready to concur in this particular plan or is this still under negotiation?

Mr. Berg.

Mr. **Berg**. The Marshall Islands government has submitted its development plan for review by the U.S. Government. The Federated States of Micronesia have not yet done that but we anticipate it very shortly.

Neither has yet received U.S. Government concurrence. The Marshalls one is under review and the federated states plan will be under review as soon as we get it.

Mr. **Vento**. That is necessary, is it not, for the complete implementation of the compact?

Mr. **Berg**. Yes, sir.

Mr. **Vento**. There is an amendment process in that plan; is that right? In other words, where you can make amendments to it, and that is to submit the request to the U.S. Government, and you don't grant the money unless there is concurrence with the plan for how it is to be utilized; is that accurate?

Mr. **Berg**. That is true with respect to initial concurrence, yes, sir.

Mr. **Vento**. Thank you.

Thank you, Mr. Chairman.

Mr. **Seiberling**. Mr. Blaz.

Mr. **Blaz**. I have a question for you, Mr. Brown. The compact and the termination of the trusteeship has taken so long there are some people at the United Nations who are watching the whole proceedings with some degree of delight.

Under those circumstances, and in view of the situation in Palau and the possibility that it may still be delayed supposing the Congress went ahead and approved the association and it did go to the United Nations, do you anticipate any problems there?

Mr. **Brown**. There will be those there who would naturally continue to give this close scrutiny. I am confident, sir, that with a resounding passage by the Congress that we can navigate ourselves through the reefs and shoals of the United Nations.

Mr. **Blaz**. Thank you, sir.

Mr. **Seiberling**. Particularly if we make sure that some of the things that are still loose ends are taken care of in the congressional resolution like restoring Bikini and making sure the health care needs of the four-atoll people are taken care of, et cetera, which I feel are serious gaps in the compact at the present time.

Mr. Sunia.

Mr. **Sunia**. Mr. Chairman, I have one point to get back in the record.

For the last 2 or 3 years many of us were involved in the efforts to try to get the endowment funds for the College of Micronesia and the Community College of Micronesia more and finally last year the DOE removed their objections, and Mr. Natcher and his committee were kind enough to put it on the appropriations so everything was fine and I learned 2 weeks ago that that particular item is now a victim of the rescissions of 1986 before the territories were even given a chance to apply for the funds.

I inquired and was told that even though it was approved and was a part of the budget of DOE they would still have to give authorization before these two colleges could apply for the funds.

Now, I don't know whether my information is entirely true. I have never had to try to re-rescind some funds. But it seems to me like this is a $3 million endowment fund to which all of the land colleges of this Nation are entitled.

Guam and the Virgin Islands have already received their endowment a few years back. These two colleges have never received the endowment. At 10 percent, $3 million can give you $300,000 a year.

It would seem to me that would at least have solved some of the problems for this current request. Now my question is, I would like to know if the Secretary, both Secretaries would join in the efforts to try and convince DOE to grant authority at this point so that the two land colleges may apply for the endownment and failing that, whether they would join in a new effort to try to make it once again part of the 1986 appropriations for DOE?

Mr. Seiberling. Would the gentleman yield?

Mr. Sunia. Yes, sir.

Mr. Seiberling. It hasn't been rescinded yet. The Congress has to vote on whether it should be rescinded.

Mr. Sunia. That is right. That is why I said if they would join us in the effort to convince DOE to grant the authority so the two land colleges will apply. I know you will join us, sir.

Mr. Seiberling. I have already signed a letter to Mr. Natcher registering my vigorous opposition to the proposed rescission and I hope that he will follow the same approach and so will his subcommittee, and if they do I am sure the House will back them up.

Mr. Sunia. Thank you very much.

Can I still get an answer?

Mr. Seiberling. Sure.

Mr. Montoya. On the part of Interior, we will be more than happy to pursue it with Congressman Sunia.

Mr. Seiberling. Well, I would like to ask a followup.

Where did this request originate? Did it originate in Interior or OMB or where?

Mr. Montoya. I am at a loss, Mr. Chairman. I know that we have been in support of efforts like this. A case in point, receiving $3 million for the College of Micronesia this past year, and that was a difficult process because we would go to Agriculture and Agriculture would tell us it was Education's responsibility. Education would tell us it was Agriculture's responsibility, so we finally held a meeting with both parties involved and got the $3 million for the College of Micronesia.

Mr. **Seiberling**. Well, somewhere in the bowels of Government, this thing originated. It isn't just peristaltic motion. Can you find out and get us the answer?

Mr. **Montoya**. We will get back to you for the record on that. The recission originated with OMB.

[Editor's note.—Response to Chairman Seiberling's request may be found in the appendix, under cover of a letter from Assistant Secretary Montoya, to Mr. Seiberling, dated April 11, 1985. See table of contents for page number.]

Mr. **Seiberling**. Thank you.

Are there any other questions of the Government witnesses? If not, we want to thank you very much and if we have additional questions, we will submit them in writing.

We will now proceed to hear from Mr. Epel Ilon, the Federated States of Micronesia Washington representative, accompanied by Mr. Del Pangelinan, FSM budget officer.

Also Senator Ray Setik. We will invite him to come to the table at the same time.

I understand he is accompanied by Mr. Thomas Bussanich, budget officer, FSM. Senator Setik is chairman of the Ways and Means Committee of the FSM Congress and we are very happy to have both of you here.

Mr. Ilon, what words of wisdom do you have for us today?

[Prepared statement of Mr. Epel Ilon may be found in the appendix.]

PANEL CONSISTING OF EPEL ILON, WASHINGTON REPRESENTATIVE OF THE FEDERATED STATES OF MICRONESIA, ACCOMPANIED BY DEL PANGELINAN, FSM BUDGET OFFICER, JAMES STOVALL, COUNSEL TO FSM ON STATUS NEGOTIATIONS, AND SENATOR RAY SETIK, CHAIRMAN, WAYS AND MEANS COMMITTEE, FSM CONGRESS, ACCOMPANIED BY THOMAS BUSSANICH, BUDGET OFFICER

Mr. **Ilon**. I will summarize. We have a long statement we have submitted.

Mr. **Seiberling**. Without objection, all the prepared statements will be included in the record in full.

Mr. **Ilon**. As you have already introduced the other gentlemen with me I will proceed with my summary of my statement.

On behalf of the government of the Federated States of Micronesia I wish to thank you for this opportunity again to talk about the budget. Before I proceed with my testimony, I would like to say that our government and our people are very pleased with the announcement that this subcommittee will conclude its hearings on the compact association next month.

The FSM fully supports approval of the compact early in this session of Congress and its implementation by or before the beginning of fiscal year 1986.

Mr. Chairman, while we support approval of the compact without delay, there are a number of matters relevant to the process of transition into a free association which are not addressed in the administration's fiscal year 1986 budget request which we seek your support in their resolution.

Most of these matters have been discussed with the administration and with the subcommittee over a number of years. They include topics such as the longstanding U.S. promise to establish a permanent capital of the Federated States, funding for a new campus for the Community College of Micronesia or claims for prior service benefits and indefinite land use compensation.

We ask this Congress to help resolve these matters either by appropriating funding in fiscal year 1986 or by making a firm commitment to appropriate the necessary funding in the future.

Timely fulfillment of these obligations is essential to the fulfillment or achievement of the goals forming the foundations of our free association relationship with the United States.

I would like to make special mention of two of these important matters, the new national capital facilities and the new campus for the Community College of Micronesia.

As you know, for some time planning for these essential projects has been coordinated in order to maximize utilization of limited funds. With last year's appropriation for the national capital we have completed the architectural and design work and initiated the construction bid process so that bids will be opened on May 31 of this year.

We are somewhat distressed that the administration has chosen not to include a second installment on last year's construction funding commitment in its fiscal year 1986 budget request.

I would also like to mention as we have done previously that the minimum cost estimated for an original national capital is $24.9 million and we once again request that the United States makes a commitment to fund the full amount. The estimated costs for replacing the deteriorated and inadequate facilities of the Community College of Micronesia is $12 million.

I would like to ask that the subcommittee seriously consider the need for a Community College of Micronesia campus and provide support for this priority project of critical importance to our development.

Mr. Chairman, there are two other matters of importance relating to the college. First, we understand that the Department of the Interior by its request includes only $300,000 for the college's operations, compared to last year's level of $1.6 million. This amount is apparently expended to cover Palau's conclusion to the college's operations, but not the FSM's and Marshalls.

While the FSM, Palau, the Marshall Islands have agreed to continue the college as a unified postsecondary education institution, final arrangements on cost sharing have not been determined.

We ask that the Department of the Interior operational assistance for the college continue on at least a transitional basis until these arrangements can be finalized in the event that $300,000 of Palau's share is totally inadequate.

The other matter which I know you are quite aware of which the distinguished Congressman from Oregon brought up is the administration proposal to rescind the $3 million appropriated last year as an endowment fund for the college under the land grant program.

As you know, we came to your assistance in helping the appropriation and it was through your assistance that we are able to get that amount including another $3 million. For us the land grant program is not narrow in purpose and nonessential, as stated by the administration, and I must once again thank you for interceding on our behalf to block the proposed rescission.

Mr. Chairman, we are also asking that the Congress appropriate funding to complete certain capital improvement projects. We continue and will always maintain that the original 3-year CIP should fully implement and disagree with any approach that implies that compact funding earmarked for economic development and other essential CIP projects should be deferred for this purpose.

It is also important that the United States understand that continuing support for correcting deficiencies in existing infrastructure and not saddle the FSM with this additional burden. Particularly acute is the need to correct deficiencies in public facilities such as schools and hospitals and put them back into decent shape.

Mr. Chairman, we have two other concerns which relate more directly to the budgetary requirements or successful implementation of the compact, the matters of U.S. Federal program loss and technical assistance.

We estimate upon implementation of the compact that the FSM will face a reduction of around $16 million in U.S. grant assistance for operational and service activities, particularly as a result of the termination of U.S. Federal programs. The withdrawal of U.S. Federal programs would have serious impacts on essential services currently being provided to our people, particularly in the health and education areas, and would have equally negative impacts on our employment and tax bases.

We are committed to undertaking the analysis, planning, and policy decisions necessary to ameliorate these impacts, but it will be a difficult and time-consuming process and the FSM seeks congressional authorizations and appropriations necessary to achieve a plan to carefully phase out U.S. Federal programs and services.

With respect to technical assistance we seek assurances that such assistance will be made available to the FSM in accordance with the understandings reached in negotiating the compact.

The FSM has received invaluable technical assistance in the past and continuation of such assistance, particularly during the transition to free association, is imperative. Again the Federated States of Micronesia look forward to approval of the compact early in the session and with the implementation of the compact we know we can begin to focus on much needed economic development and ultimately achieve increased economic self-sufficiency.

We urge the Congress to enact the fiscal year 1986 budget which addresses both compact level funding requirements and fully addresses outstanding U.S. Government trusteeship obligations and transitional needs for successful implementation of the compact.

That concludes my statement, Mr. Chairman.

Mr. SEIBERLING. Thank you. You have made some very important points and we will give them careful attention.

Senator Setik.

Mr. SETIK. Thank you, Mr. Chairman and members of the subcommittee.

I am Raymond Setik, chairman of the Committee on Ways and Means of the Congress of the Federated States of Micronesia. I appreciate very much this opportunity to appear before this committee on behalf of the speaker and the members of the congress to support the view of the FSM executive branch for the fiscal year 1986 budget and the other matters presented to you.

I wish to highlight the concern of the FSM congress. We continue to support the often made assertions that certain obligations must be satisfied before or soon after implementation of the compact of free association.

Of primary concern of the congress are: First resolutions of as yet unresolved transition matters, second, the impact of the Federal program's discontinuation, and third, obtaining the funding necessary to construct an adequate capital facility for the FSM government.

Mr. Chairman, while transition requirements are very important I believe these are touched upon in Representative Ilon's statement.

Instead I wish to invite your attention to the withdrawal of Federal program support for essential government services, primarily in health and education.

We are very concerned that the sudden withdrawal of Federal grant support supplied for fiscal year 1986 would be disruptive not only to the government services but to numerous individual citizens and the FSM economy.

We are aware that some efforts are being made to assess the impact of Federal program's loss, but we are concerned at the pace at which this analysis is progressing. We are hopeful that the Department of the Interior as has been promised may soon lend its considerable hand to this assessment effort. Our request for the continuation of Federal programs is coupled by our fears that these programs may have been excluded from the budget of the grantor agencies and that the administration's fiscal year 1986 budget will eliminate these programs entirely.

From the viewpoint of the FSM congress we would respectfully request this committee to support the authorization of a block grant for the support for the purpose of replacing the Federal programs that will soon disappear.

The continued provision of technical assistance is also of great importance. We have made great strides forward in certain areas but we will continue to need U.S. provided expertise in such areas as financial management. The committee I chair is absolutely committed to sound financial management and we are not currently satisfied with the implementation of the new contracting system.

We will need some level of continued support if the sizable compact grants are to be managed effectively. We are also hopeful that assistance in health and hospital management may be provided our state governments.

As a final point, Mr. Chairman, I wish to remind this committee of the U.S. commitment to fund construction of the FSM capital. In our view, fulfillment of this long-standing commitment means a total facility, complete with necessary infrastructure and essential facilities. We are in support of the total request of the $24.9 million.

This concludes my short statement, Mr. Chairman, and I thank you very much.

Mr. **Seiberling**. Well, thank you very much, Senator. Both of you have made some very important points which we are going to have to take into consideration.

Mr. Ilon, could you review for us when and why the executive branch of the United States made a commitment to your government and to that of others to build a capital in each of the Micronesia states, including how much money was promised and how much has been appropriated? Do you have that information?

Mr. **Ilon**. Mr. Chairman, I will give you what I know and the budget officer of the national government will assist me in answering the question.

First, the movement of the capital from Saipan was based on the developments that happened back then, Saipan taking over what remained or what was the capital of the trust territory, and at that time the United States promised to set up a capital for—I guess they assumed it was going to be one capital. There wasn't an agreed amount at that time.

It was agreed that the capital would be built for us. We made the move and unfortunately we split into three other governments, requiring that the capital be split into three, whatever the amounts may be. We have then come up with estimates which have been cut down every year until we can no longer go below what we consider to be an appropriate amount, and that is the amount that we have asked for—$24.9 million.

In 1985——

Mr. **Seiberling**. Let me just stop right there for 1 minute. That is what you are asking for but that isn't—the Federal Government never made that commitment for that much money, did it?

Mr. **Ilon**. The Federal Government, as far as we have heard through the Department of the Interior, is only committed to the $13.4 million level. In any event, we feel that that amount is not sufficient to build an appropriate and functioning capital facility. And then in 1985 we were given, finally given, money amounting to $3.9 million for architectural and engineering work.

I stand corrected here. The budget officer says $2 million in 1985 and $3.9 million for construction.

Mr. **Pangelinan**. Let me correct that, Mr. Chairman.

My name is Del Pangelinan, the FSM budget officer. Two years ago Congress appropriated $2 million for the A&E for the capital. We went ahead and designed a capital which we thought we needed at the time and the costs as estimated by the architectural engineers was that it was going to cost $24.9 million.

Last year, $3.9 million was appropriated by the Congress and we are now seeking the balance of that money to bring the total up to $13.4, which is needed to implement the first phase of that construction.

Somewhere along the line, nobody knows, at least I don't know, where the $15 million funding level for the FSM came from. All along we had been talking about in excess of $20 million needed to build the FSM capital and that amount has been approved by the architectural engineers who have worked on the design.

Mr. **Ilon**. As I mentioned earlier, the amount of $24.9 million is an amount that we have identified based on the best possible utilization of resources as well as our effort to take advantage of the environment that is found there.

Mr. **Seiberling.** Is that in addition to the money already provided?

Mr. **Ilon.** No, the total package would be $24.9.

Mr. **Seiberling.** Thank you. Well, I guess that pretty much answers the question.

Can you tell us how much money you will need to run your government in fiscal year 1986 if the compact were by chance not to become effective in fiscal year 1986?

Mr. **Ilon.** Our estimate for during fiscal year 1986 is that for operational funds we would need about $41 million.

Mr. **Seiberling.** And would that include all operations?

Mr. **Pangelinan.** Yes, sir, provided the Federal programs funding continues at this current level, too.

Mr. **Seiberling.** How does that compare with last year, the fiscal year 1985 fund?

Mr. **Pangelinan.** It is about the same level, sir.

Mr. **Seiberling.** Thank you. All right.

Mr. Sunia.

Mr. **Sunia.** Thank you, Mr. Chairman.

I have no questions. I simply want to welcome our friends to the hearings. I came in late and I caught the part of Secretary Montoya's description of the power generator and I was wondering if this was the right place to ask that question again?

I wanted another side to the story.

Mr. **Seiberling.** All right. Well, I don't think that the FSM has that problem, happily. Palau and the Marshalls have the problem.

Mr. **Sunia.** Then I won't have a question until then, Mr. Chairman. Thank you.

Mr. **Seiberling.** All right.

You don't have a generator problem, do you?

Mr. **Ilon.** Well, we have problems with generators that we need help in fixing, yes; but not that particular problem.

Mr. **Seiberling.** Do you want to add anything to the comments that Mr. Montoya had on the Truk generating plant?

Mr. **Ilon.** Perhaps the other gentleman can bring you up to date on that situation. I am not sure what has transpired.

Mr. **Blaz.** Mr. Chairman, we don't really know anymore about it other than what Mr. Montoya said.

Mr. **Seiberling.** Mr. Blaz.

Mr. **Blaz.** Thank you, Mr. Chairman.

If trusteeship were to be, say, terminated in the fall, there are some assets of the Federal Government currently in place in your Federated States. Do you have any idea what would happen to those assets? Do you automatically assume responsibility and ownership or is there any provision in any of the language that has been discussed what happens to them?

Mr. **Ilon.** If I can ask counsel to the commission to assist me on answering that question.

Mr. **Stovall.** The compact contains provisions which provide a mechanism for the transport of property and there is a reference to a U.S. law which would control the transfer of property prior to the implementation of the compact, and that, I believe, has been utilized to some extent up to now.

And to the extent that there is property that remains untransferred on the date of implementation of the compact, then the compact itself becomes the authorization for such a transfer.

I need to look it up to give you the number, but that is roughly it.

Mr. BLAZ. Thank you very much.

Thank you, Mr. Chairman.

Mr. SEIBERLING. Mr. Vento.

Mr. VENTO. Yes, Mr. Chairman.

The testimony from Mr. Brown indicated of course the President's request for $299 million. In there he made a statement saying this amounts to just over one-half of it, $158 million is for the purposes, and will not be requested in future years.

I think the implication is that that $158 million completes all of the capital requirements and commitments that we have made. The remainder of $141 million of course would be adjusted for inflation and that of course is supposed to be adequate.

In other words, do you look at these sums in the President's request to Congress for the first full year funding of the compact as being negotiable figures and not settlements, is that right?

Mr. ILON. First of all, our request is to take care of those projects that have been going on for several years now. We need them completed.

Mr. VENTO. I guess what I am trying to do is get this related to what we have before us in terms of what the President has proposed. In other words, you can't give me a specific figure at this time; is that right?

Mr. ILON. On the particular $150 million.

Mr. VENTO. Well on the $299.27 million the President has asked for a $158 million to complete, if I understand this right, to complete projects and commitments that have been made.

Mr. ILON. As far as we are concerned that amount does not include what is now going on.

Mr. VENTO. I understand, but what I am trying to do is quantify this to some extent to find out what the difference is between the Federated States of Micronesia and the others that are involved in the compact.

I am trying to find out what the difference is. Obviously you have got a concern about the $141 million not being adequate to pay for what it is supposed to do as well. What is your negotiating position right now, that maybe is what I am asking you. I don't know.

Mr. ILON. Well, we have about $18 million worth of projects that I think should be completed before you even touch the compact level funding. Outside of the——

Mr. VENTO. I think what I am trying to understand is what the difference is between what the President is requesting and what you would be requesting if you were coming directly through this committee in terms of funding.

In other words, I know you have a list of different projects that are commitments. Some have engineering studies, architectural work has been done on them, others reflect other types of costs and it seems to me that your statement has not—it does not address that.

I think that rather than keep pushing you on it that at this point, maybe it is something that I don't adequately understand, but I think you should try to answer that for the record.

I am saying what is your negotiating position? You may not get $26 million in capital. I don't know.

Mr. SEIBERLING. Would the gentleman yield?

Mr. VENTO. I would be happy to yield.

Mr. SEIBERLING. As far as the subject matter covered by the compact is concerned, whatever their negotiating position was, they are stuck with what they agreed to and ratified. However, there are certain things not covered by the compact that represent commitments made by the United States, such as the money for the capitols and the land grant college funds and the like.

I think that is the only area where they are really in a position to go beyond the compact.

Mr. VENTO. I didn't mean to imply that is part of the compact. I meant to say there is not a common understanding with regard to the administration and to yourselves concerning what we are committed to and what the dollar amount is.

I think as I look at the estimates that I have before me from these witnesses that didn't give us a total—did not wrap that together for us and I think that would be helpful to me so we know the degree of difference.

I don't see that here.

Mr. SEIBERLING. I want a number on those requests.

Mr. VENTO. I think probably some sort of parameter placed on it. I don't think we have that in terms of projects. Maybe staff has it. I thought if you could give me an idea today, if the administration, it seems to me, is seeking $158 million for past commitments and that sort of wraps things up and then they go forward with $141 million. Both of these figures I understand are debatable figures in terms of what it takes to do the job, of what it takes in terms of meeting our commitment.

If you want to add anything, either the Senator or the other Representative, Mr. Ilon, that would be fine. I think it would be helpful. I think we need some specific figures. I think that you can work with staff on the committee to try and provide that to us.

A written response, I think, would be good.

Mr. ILON. Yes, Congressman, we will provide that for the record.

Mr. VENTO. I think that would be helpful.

Mr. Chairman, I didn't have any other question, just that one. I see you have your book out there now.

Mr. SEIBERLING. The staff points out, this is on page 73 of our report to the Committee on the Budget for fiscal year 1985, that we recommended add-ons to the administration's budget—this is not the compact budget now——

Mr. VENTO. I understand.

Mr. SEIBERLING [continuing]. Of $141 million over and above the administration's $96 millon for a total budget of $237 million. Now a lot of those add-ons that we recommended were things not covered either by the fiscal year 1985 budget or by the compact so it may be that some of those we might want to still recommend although I may say that the Appropriations Committee did not do very much of the add-ons that we had recommended.

Mr. VENTO. I guess we would have to update that. I guess it is good for the committee, certainly for me to have an adequate understanding of what the difference is that we are talking about. It sounds like it is rather substantial.

Mr. SEIBERLING. Well, it would be good to review those again and see what, if anything, we can recommend to add on to the compact. I think the gentleman raised an excellent point.

Mr. VENTO. Thank you, Mr. Chairman.

Mr. SEIBERLING. Mr. Richardson.

Mr. RICHARDSON. Thank you, Mr. Chairman.

Gentleman, I note the wide-gap in terms of what the administration has requested and what you feel that you need for your operations, and as you know the byword in Washington right now is the deficit. Everybody talks about it, even Democrats.

Mr. VENTO. Except the President.

Mr. RICHARDSON. Except the President, yes. I wanted to ask you a priorities' question. You have a list of things that you have requested. I am looking at your budget message. Let me just read them off:

> Longstanding U.S. proposal to establish a permanent national capitol, a desparately needed new campus for the community College of Micronesia, taking into account the dramatic loss of scholarihship funds we will experience, war claims, prior service benefits, remaining indefinite land use claims.

I guess my question is one of priorities, if the Congress or the committee can only do one of those, or maybe two of those, what are your priorities?

Mr. ILON. That is a difficult question to answer because we think all of them are priorities.

Mr. RICHARDSON. I thought maybe Senator Setik, since he is in the world of politics, could give me a better answer than that.

Mr. ILON. That is the best answer I can give you, Congressman.

Mr. RICHARDSON. Senator, you know, this is important, because there are many programs in the entire budget that are going to be whittled down, very worthwhile projects like yours, would you respond?

Mr. SETIK. Yes, Mr. Congressman. We look at it this way, that those issues are—they have been on the books a long, long time, and we want to get it resolved before the compact takes place. Even though there are commitments on the part of the U.S. Government, you know, let's take care of this, next year another problem, at least so we have something that we understand, that there will be solutions to the problems.

Does that answer your question, sir?

Mr. RICHARDSON. I won't persist, but obviously it seems to me that from the commitment, the capital facilities are obviously important.

One thing that has me a bit in a quandary is the wide gap over the endowment fund for the college under the land grant program. Now, you are requesting a certain amount of funds, and I guess the administration wants to rescind the $3 million appropriated last year. And I have never seen such a wide gap. You are saying that the land grant endowment is critical. The administration is narrow in purpose and nonessential. That is a tremendous gap. I wondered—I want to ask the administration that question, but, Mr. Chairman, if I might say, usually the administration when they say something they don't want, they say it is not consistent with our budget, but I have never heard the word nonessential.

Mr. SEIBERLING. Would the gentleman yield?

Mr. RICHARDSON. I yield.

Mr. SEIBERLING. I asked the administration representatives where this proposed rescission orginated and they couldn't tell me, but they promised that they would try to give me an answer as to where in the bowels of the government it originated.

Mr. RICHARDSON. The staff has given a note about the College of Micronesia, the decrease is due to an assumption that the Federated States of Micronesia will receive funding under the Compact of Free Association in 1986, and pay their share. Yet they don't request funding for either one.

Mr. SEIBERLING. They are assuming they will be given the money and they can allocate priorities. They will have a certain amount of money and they can decide what they want to spend it on.

But the thing is, the Congress already made a commitment to give them the land grant money, so they think that that ought to be honored, and so do I. That is really where it stands.

Mr. RICHARDSON. I guess my question—I hear this increasingly—if there is a withdrawal of Federal funds for whatever reason, for operations, budgetary support, et cetera, I hear the wording, "the private sector will take over, or the private sources will take up the slack, or self-sufficiency will take up the slack," and knowing very little about Micronesia, I take it this land grant college is for agricultural training.

Is that accurate? What are the alternatives to Federal funding that you would have in Micronesia?

Mr. ILON. Let me answer your question this way, Congressman Richardson, the College of Micronesia is the only higher learning institution in Micronesia and we have various campuses, one in Pohnpei, one in Palau, one in Marshalls, or to be moved to the Marshall Islands. The one in Palau is a technical college, occupational college, and the school of nursing, and the one in Pohnpei is the liberal arts and business, special education.

Land grant programs were started relatively later than the programs in liberal arts and nursing, and we have just started that, and we are hoping that through the land grant manpower development we can provide enough in agriculture areas and related fields, we set up a college of agriculture and we are looking forward to using the endowment funds to enhance programs in that tropical agricultural college.

Mr. RICHARDSON. What is the unemployment level?

Mr. ILON. The budget officer says it is about 20 percent.

Mr. RICHARDSON. Twenty percent.

Mr. ILON. Yes. So we feel this is—we have just started the college and yet we have not even begun using the land grant money yet, and yet there is a proposal to cut it out.

Mr. RICHARDSON. My last question is, assuming this compact goes through, or maybe not even assuming that it would, I seem to detect a little interplay between the Department of State and the

Department of the Interior in terms of jurisdictional questions and so on.

Who do you prefer to deal with, the Department of State or the Department of the Interior?

Mr. ILON. Well, again, that is a very difficult question to answer, but I will answer——

Mr. RICHARDSON. I will let you off the hook on one.

Mr. ILON. I would answer it that what we are concerned with is the effect of whatever happens ultimately.

Mr. RICHARDSON. Senator, you can do better than that.

Mr. SETIK. Well, I—Richard from the standpoint of this committee, if you dealt with the Department of State you wouldn't deal with us. You don't want that, do you?

Mr. ILON. We would like the support for as much as possible from whatever committee.

Mr. RICHARDSON. Thank you, Mr. Chairman.

Mr. SEIBERLING. Well, just let me add that I am not surprised that the administration is putting education for Micronesia low in its priorities. It is being completely consistent, since its budget gives it low priority for the American people, too. So that doesn't surprise me at all. But I don't think that Congress is going to follow the same set of priorities—I hope not.

Well, thank you. Are there any other questions of these witnesses?

If not, we thank you very much and we will see what we can do about your concerns.

Mr. ILON. Thank you.

Mr. SETIK. Thank you, Mr. Chairman.

Mr. SEIBERLING. We will hear from the representative of the Marshall Islands government which has not notified us of who that may be. But if he is present, let him or her come forth.

Looks like Mr. Oscar De Brum.

Would you identify yourself and whoever you brought with you?

[Prepared statement of Hon. Oscar De Brum may be found in the appendix.]

STATEMENT OF HON. OSCAR De BRUM, CHIEF SECRETARY, REPUBLIC OF THE MARSHALL ISLANDS, ACCOMPANIED BY CARL INGRAM, SPECIAL ASSISTANT TO THE PRESIDENT AND CABINET

Mr. DE BRUM. I will do that, sir. Mr. Chairman, and members of the subcommittee, I am Oscar De Brum, Chief Secretary of the Republic of the Marshall Islands. On behalf of President Kabua and the people of the Marshall Islands, I wish to thank you for this opportunity to appear before you in respect to the fiscal year 1986 U.S. budget as it relates to the Republic of the Marshall Islands.

Accompanying me this trip is Mr. Carl Ingram, Special Assistant to the President and Cabinet of the Marshall Islands.

Mr. SEIBERLING. I see you have a rather lengthly prepared statement. I assume it is OK with you to put it in the record in full and give us the highlights of it. Can you do that?

Mr. DE BRUM. That is the intention, sir.

Mr. SEIBERLING. Without objection it will be included in full.

Mr. **De Brum**. Thank you.

Briefly, Mr. Chairman, before we discuss the 1986 budget, I wish to convey to the subcommittee the gratitude of the people of the Marshall Islands for the programs authorized by the subcommittee for fiscal year 1985, and for the add on appropriations made in fiscal year 1985. These appropriations included continuation of the supplemental food program for the people of Bikini, $2.5 million for the Laura Water Project, and $880,000 for the Jaluit Dock.

We believe, both the Laura and Jaluit projects will contribute to the development of the economy of the Marshall Islands. I am submitting an attached statement which describes our plans for use of these funds along with the status report on other ongoing capital improvement projects.

We are also appreciative of a number of important fiscal year 1984 supplemental appropriations in the areas of health and education which benefit the Marshall Islands along with the rest of Micronesia. These include $2.5 million appropriated to the public health service for a project to train nontraditional health professionals from pacific countries and funding of the College of Micronesia land grant endowment and title III education programs which will benefit the College of Micronesia's program.

These appropriations evidence that Congress continues to recognize the special needs of the peoples of the Pacific, and for this we are grateful.

I would like to go into the financial status of my government, sir, as background information. I hope you can bear with me, sir.

The financial status of the government of the Republic of the Marshall Islands continues to improve, thanks to your help, sir. Last year we reported to the Congress that through our deficit elimination program, we had reduced our cumulative, prior year deficit by $2 million during fiscal year 1983. I am happy to report that in 1984, for the first time, our revenues exceeded expenditures and we were able to further reduce the deficit by $2.5 million. For 1985, we have again curtailed normal operational programs in order to budget $1.5 million to continue the deficit elimination program.

If all goes according to plan, this will leave $1 million in outstanding prior year deficits at the end of 1985, which will be the amount owed to Tripler Army Medical Center for medical services. I will address this subject in greater detail in a later statement.

The government is continuing an aggressive program to generate additional revenues. As a result of this program, domestic revenues increased by 24 percent between fiscal year 1982 and fiscal year 1984, for $8.2 to $10.2 million. In fiscal year 1985, an important milestone will be reached in our revenue generating program. For the first time, revenues from domestic sources are anticipated to exceed revenue from the U.S. basic grant.

Last year the Marshall Islands Nitijela—Parliament—passed legislation which doubled import tax rates for most commodities. I have noted Secretary Montoya didn't give us any credit for attempting to help us as he did the other territories. I hope we will be included in his report to you.

This legislation resulted in increased revenues of $800,000 during fiscal year 1984. This year, legislation has been introduced to increase the income tax from 6 to 8 percent on the first $11,000 earned, and from 10 to 11 percent on earnings above $11,000. This new tax measure would yield an additional $500,000 in fiscal year 1985.

I note, also, that last year we were able to increase the income tax applicable to Kwajalein Missile Range contract employees, from 3 to 5 percent with the assistance of Assistant Secretary Richard Montoya. We appreciate his help and assistance in this regard.

Mr. Chairman, these revenue-raising measures have not been popular. However, my government is committed to building a more self-reliant nation and knows that it must help itself first before it seeks assistance from the United States.

We have taken other measures to improve our financial situation. Health service fees have been significantly increased, as shown in the attached schedule. A computerized billing system for utility services is now operational and is being made ready for takeover by the Marshalls Energy Corporation.

Incidentally, Mr. Chairman, I note that Marshalls Energy Corporation returned an operational surplus of $195,000 to the government in 1984. With technical assistance from the Department of the Interior and E.F. Hutton, we have established a cash management system which will earn at least $100,000 in 1985, by investment of funds which are temporarily idle.

Long-term debt has been renegotiated according to a more realistic schedule and the government is current in its debt service obligations. A schedule of debt service payments for the period 1985 through 1991 is attached for your information.

The government of the Marshall Islands continues to improve its financial management capabilities. With technical assistance from the Department of the Interior, legislation and regulations are being prepared in the areas of procurement, property management, accounts receivables, budgeting and offshore banking. We are attempting to adopt model legislation in each of these areas.

Mr. Chairman, I am also happy to report that the government of the Republic of the Marshall Islands is, I believe, one of the first governments in the Trust Territory of the Pacific Islands to submit a financial statement for fiscal year 1983 to the U.S. Government as required by Public Law 95-357. We intend to improve upon this performance for fiscal year 1984 by submitting an audited balance sheet and Federal grants audit which substantially conforms to the standards of the National Council on Governmental Accounting and the requirements of Circular A-102.

The government is improving the efficiency of its operations by transferring certain functions to the private sector or to local governments.

In 1984, the Ebeye nursery education program was turned over to a private sector corporation, and there are discussions going forward to turn over responsibility for operation of the Ebeye powerplant to the Kwajalein local government council and the Majuro electrical distribution system to a local company. We intend to continue to explore ways of spinning off government activities to local governments and to the private sector.

Now a little bit on the economic development, Mr. Chairman. There have been several encouraging events in the area of economic development. On January 18, 1985, President Kabua submitted to the United States the Republic's first national development plan. We now have a comprehensive framework for development of the Republic's economy over the next 5 years. We look forward to reviewing our plan with you and your staff.

In 1984, Tobolar Copra Processing Plant, which is owned by the governmment, earned $5.4 million on sales of 4,084 long tons of processed copra oil. These figures represent an increase of over $2 million and 1,500 tons over the comparable 1983 figures.

The increases have been accomplished by taking advantage of high oil prices and purchasing unprocessed copra from the Gilbert Islands. Tobolar used its 1984 earnings to retire its short- and long-term debt and to provide drought assistance to the copra producers.

A survey done by the U.S. Geological Survey, Mr. Chairman, to reveal the Republic's undersea mineral resources, was conducted in 1984 and may serve as a basis for further exploration and eventual exploitation of these resources.

We appreciate the assistance given to us by the U.S. Geological Survey and encourage further study. We will ask the Department of the Interior to provide this subcommittee with a copy of its survey report when it is completed. We believe the report will indicate significant deposit of cobalt crusts on sea mounts within the Exclusive Economic Zone of the Marshall Islands.

We have begun to work with the U.S. Government to initiate other projects to develop the Republic's mineral resources. The U.S. Trade and Development Program has agreed to conduct economic feasibility studies for fisheries, coconut timber and coconut oil refinery projects. The Department of the Interior has provided funds to retain a trade development specialist to promote foreign investment and trade in the Marshall Islands.

A fishing base in the Marshall Islands is nearing completion. This $2.9 million project, which is funded by the Government of Japan, will provide fuel, water, provisions, and cold storage facilities for fishing fleets. It is expected to double the number of vessels using Majuro as a port to 300 per year, this year.

In addition, Marshalls Energy Corporation, which operates the Majuro fuel tank farm hopes to sell over 6 million gallons of fuel to fishing vessels and shipping lines in 1985. The resulting revenue will go to support the powerplant operation and to assist in repaying the powerplant loans.

The retail sector in Majuro and Ebeye are expanding. Gibson's, an Hawaii based retail chain, has opened a shopping center in Majuro, and other retail stores have upgraded their facilities and services in order to compete with Gibson's. In Ebeye, a warehouse for retail stores has been constructed and will soon open. Gibson's, and Robert Reimers Enterprises, a large local merchant, are bidding on the contract to operate the facility.

Mr. Chairman, I note that some of these economic achievements would not have been possible without the availability of a reliable power supply on Majuro Atoll. The board of Marshalls Energy Corp. reported a 50-percent increase in electricity consumption during the first year of operation of the new Majuro powerplant. The plant's operating expenses were 8.8 cents per kilowatt hour, the most, we are told, economical and efficient power production in the region.

The government has worked hard to put necessary infrastructure in place and to develop a favorable climate for private sector expansion. These efforts are now beginning to pay off.

We come now, Mr. Chairman, to the fiscal year 1986 budget. The administration is requesting $197.91 million in the fiscal year 1986 budget for the Marshall Islands, in accordance with the provisions of the Compact of Free Association, $150 million of this amount relates to settlement of claims arising from the U.S. nuclear testing program—section 177—$9 million is for Kwajalein land use payments and the Kwajalein Atoll development authority projects; and $38.9 million is for support of other government activities.

Mr. Chairman, we are grateful for your leadership in moving the compact so close to implementation. I believe that it represents the best hope of the Marshallese people for economic and social advancement.

The National Development Plan of the Republic of the Marshall Islands, a copy of which has been provided to the committee, outlines the economic program which the government will pursue during the first 5 years of the compact period. In fiscal year 1986, compact level funds will be used to initiate important projects in the infrastructure development and economic sectors.

I note that the plan has identified the shortfall of $78.3 million in funding available for projects to be implemented during the next 5 years. This includes $43.3 million for the Kwajalein Atoll development authority, and $35 million in other government projects. The supplemental budget request which we present today will make up part of the shortfall. We intend to seek foreign aid to fund the remainder of the shortfall. Possible sources include the Overseas Private Investment Corporation and the Export-Import Bank.

Mr. Chairman, there are important concerns not addressed in the administration's compact level budget request which we wish to call to your attention. Last year, your subcommittee observed that, "there is still some unfinished business" which must be addressed before the trust territory is terminated. The budget requests which we present today deal with this business and will ensure that U.S. commitments are met.

Their funding will enable us to begin the economic investment program as outlined in the national development plan. I wish to make clear that our request for funding of these items are not presented as substitute for the compact, but rather as a supplement to it.

As supplemental items, we request that the funding be appropriated to the Republic of the Marshall Islands in the categories below, which are listed in priority order, and be considered by the committee. Justification for these items will also follow.

We request transition funding to open and operate the new Majuro hospital, which is $900,000. Expansion of the outer island dispensary program, $700,000; technical assistance programs, $1.1 million; liquidation of a portion of the fiscal year 1982 and 1983 medical referral liabilities owed to Tripler Army Medical Center, $1 million; Kwajalein Atoll infrastructure projects under the direction of the Kwajalein Atoll Development Corp., $22.25 million; resettlement and cleanup programs for the peoples of Bikini, $51.25 million; Enewetak resettlement, $11 million; Rongelap resettlement, $3.2 million; Jaluit, $10 million; and for radiation related health care $10 million. And construction of the College of Micronesia Nursing School, $3.2 million; and construction of a new capitol, $7 million.

We are also requesting supplemental funding to continue, for at least a 3-year transition period; Federal grant programs which will be terminated upon implementation of the Compact of Free Association. This would require that an additional $6.6 million be included in the budgets of various U.S. Government departments, to supplement the $3 million provided under section 221(b) of the compact as a block grant.

Finally, we request that the fiscal year budget of the Department of the Interior be increased by $1.5 million for the College of Micronesia and that Federal grants be extended to the college into the compact period.

We have submitted, also, Mr. Chairman, the justifications for use of all these funds in the attached documents, and also a supplemental attached document we submitted for the record.

Mr. Chairman, just briefly, for the Federal program, sir, I do not think that the abrupt termination of these programs is in the best interests of either of our nations. As a matter of fact, the Subcommittee on Energy and Natural Resources has recommended that there be a transition period during which time the government of Marshall Islands may find alternative ways of accomplishing the objectives of the Federal programs. We concur.

Section 224 of the compact provides that the governments of the United States and the Republic of the Marshall Islands may agree that Federal grant assistance be extended during the compact period. I urge the Congress to continue to make available Federal grant programs to the Marshall Islands in accordance with this clause and to instruct U.S. Government departments to include the Marshall Islands in their fiscal year 1986 program budgets.

Attached is a list of Federal programs which we suggest be continued into a transition period. That is also provided to the committee, Mr. Chairman.

Mr. Chairman, we are grateful that the administration is requesting funding to implement the Compact of Free Association for the Marshall Islands. We support this request as a good foundation for planning the fiscal year 1986 budget. However, we note that there are outstanding issues which need to be addressed. The supplemental items for which we have requested funding deals with these issues in a fair way. I ask for your support.

I will be happy to try and answer any questions you wish to ask. As you know, my government has been operating within the constraints of austere budgets in recent years, and so we are not able to bring a large delegation to this hearing. If I am unable to answer any of the questions, I would appreciate the opportunity to refer it back to staff in Majuro and provide written answers for the record.

Thank you very much.

Mr. SEIBERLING. Thank you very much, Mr. De Brum.

Since we have two other witnesses representing various people from the Marshalls, I wonder if we might schedule them or ask them to come to the witness' table now, and we will hear their testimony and then we will question all three of you.

Mr. Jonathan M. Weisgall, attorney for the people of Bikini, and Mr. Alvin Jacklick, Mayor of Kwajalein. Would you come to the table. We will have questions for all of you after your presentations.

I have read your entire statement, Mr. De Brum, including the justifications for the additional supplemental requests, and we will give careful attention to it.

Mr. **De Brum**. Thank you.

Mr. **Seiberling**. Mr. Weisgall.

[Prepared statement of Mr. Jonathan M. Weisgall may be found in the appendix.]

PANEL CONSISTING OF JONATHAN WEISGALL, ATTORNEY FOR THE PEOPLE OF BIKINI; AND ALVIN JACKLICK, MAYOR, KWAJALEIN ATOLL

Mr. **Weisgall**. Thank you, Mr. Chairman. Thank you for providing the people of Micronesia an opportunity to express their views. I would request also that my full statement be made a part of the record.

Mr. **Seiberling**. Without objection.

Mr. **Weisgall**. My comments are based in large part on what is, or more precisely what is not in the compact, but I don't want to dwell on that document. Those negotiations took 14 years, and the compact has been a subject of extensive hearings before your subcommittee and more are scheduled for next month, and the Bikinians' views are already on the record.

Concerning a question that has come up already this morning about State versus Interior oversight; let me tell you the views of the people of Micronesia, and maybe not a political answer, but a direct one.

The people of Bikini think it is unwise to transfer the funding and oversight functions for Micronesia from Interior to the State Department and Foreign Affairs Oversight and Appropriations Committees. The compact is clearly a watershed mark in United States-Micronesia relationships, but the problems will not disappear on the effective date of the compact.

Additional financial and technical assistance needed for restoration of Micronesia will undoubtedly be requested in the post-trust territory period, and this process, we believe, should be handled through the traditional oversight and appropriations process.

To reject the institutional knowledge, experience, and expertise of members and staffs of the Interior Oversight and Appropriations Committees, and to switch these responsibilities to congressional committees whose member and staffs are not as familiar with Micronesian issues, be they related to Bikini or otherwise, would not be in anyone's interest, especially now, at the most critical time of the process—the transition to and commencement of the new political status.

Let me turn to specific funding requests by the Bikinians. The most important priority is the radiological cleanup of Bikini Atoll. Congress, as you know, formed the Bikini Atoll Rehabilitation Committee in 1982, directed it to determine the feasibility and cost of cleaning up Bikini. That report last November stated it is feasible to clean up Bikini and that the cost would be approximately $40 million. Absent the cleanup the people will not be able to resettle on their homeland for upward of 100 years.

I have testified at length, Mr. Chairman, on the justifications for the Bikini cleanup. I don't want to repeat those arguments. I think you put it very well yourself in an associated press story last month in which you said. "I don't see how we can destroy their homeland and then wash our hands of it."

That makes the argument in a nutshell. We realize this is as bad a year as any in which to bring new funding initiatives to the Congress. But the responsibility to cleanup Bikini does not fall on this administration alone. It is an unmet appeal nearly 39 years old, and a moral and legal commitment of the U.S. Government and it should transend partisian politics.

Without in any way intending to imply that the Pentagon should pay for the cleanup, let me remind those of you who are concerned about military affairs that a $40 million price tag of Bikini represents about one-twentieth of 1 percent of the $91 million, in 1985 dollars, the United States spent on the nuclear testing program in the Marshall Islands. That program was of tremendous strategic value to the United States, and it led to billions of dollars of defense savings.

You should also remember that the United States spent $105 million, in 1978 dollars, to conduct a radiological cleanup of Enewetak Atoll. It owes Bikinians no less.

It would, I think, be a shame for the United States to close the books of the trust territory period without at least making a commitment to cleanup Bikini. The compact and the fiscal year 1986 budget are silent on this responsibility, and I urge you to do as you did last year, which is to recommend the appropriation of $10 million yearly, starting in fiscal year 1986, until the cleanup is accomplished. The cleanup committeee states a program would take about 10 years to accomplish at Bikini Atoll.

The Bikinians, as you know, have been living temporarily on Kili Island since 1948, and it is their near-unanimous desire to resettle in Hawaii until such time as Bikini is safe for resettlement. This temporary resettlement would be financially feasible both under the compact and the Bikinians' resettlement trust fund.

That trust, however, limits expenditure of funds to the Marshall Islands, principally Kili and Ejit. Which is where most Bikinans live today. They urge you to recommend, as you did last year, that the Appropriations Committees amend the legislation establishing the resettlement trust fund to permit expenditure of income on resettlement outside the Marshalls until Bikini is safe.

In 1968, the Atomic Energy Commission announced that Bikini Atoll was safe and we all know their scientists were wrong, and they were moved over a decade later. As part of the 1978 settlement agreement of a lawsuit brought by the Bikinians against the United States, the U.S. Government agreed to pay for the services of a qualified independent scientist to review and assess Department of Energy reports on Bikini. That independent review has been of great psychological importance to the Bikini people.

Without in any way intending to disparage the work of the Bikini Atoll Rehabilitation Committee, the Bikinians believe it would be in everyone's interest—including their own desire, to plan for the resettlement of Bikini—to have the U.S. Government again pay for the services of an independent scientist or scientific organization to conduct an independent assessement of the committee's reports.

The Bikinians would propose selecting one of two very highly respected institutions—the New Zealand National Radiation Laboratory Department of Health, or the United Nations Scientific Committee on the Effects of Atomic Radiation. The estimated cost or this review would be $150,000.

As we heard this morning, concerning health care, 5 years after Public Law 96-205 was signed into law, the U.S. Government is finally about to select a contractor to run the four Atoll Health Care Programs. The people of Bikini are hopeful that this program will be implemented quickly since Kili and Ejit still lack dispensaries.

The Bikinians have submitted testimony on this matter to your subcommittee on four previous occasions, October 25, 1983, February 7, 1984, May 8, 1984, and December 31, 1984, and they have made their views known to the Interior Department.

Last year your subcommittee recommended a $7 million increase in this program from the present $4 million appropriation to create a permanent $11 million health care trust fund, with the income to be used to maintain the four Atoll Health Care Programs in perpetuity.

At a minimum, creation of this type of trust fund, managed by a private sector trustee and accountable to the U.S. Government, would, I believe, place a final price tag on what might otherwise constitute an indefinite financial commitment of the United States. The Bikinians again urge your subcommittee to recommend this arrangement.

On food matters, USDA food support for the people of Bikini will cease on the effective date of the compact, unless the Marshall Islands government requires the United States to continue the program on a reimbursable basis. There is no indication that the Marshall government will make this request.

The people of Bikini already spend a huge portion of their funds commercially to supplement USDA food shipments, and they urge your subcommittee to recommend the continuation of the USDA food program in the post-trusteeship period.

I believe the amount last year was approximately $500,000. The Department of the Interior will soon begin a supplemental food program for Kili and Ejit that will include the introduction of livestock and food planting activities.

In this regard, the Bikinians also request a one-time $300,000 program to provide fresh fish, fruits, vegtables, meat, and breadfruit, until the longer range supplemental food program becomes productive.

Last, under the compact, all rights, title, and interest to the sunken vessels and cable in Bikini lagoon, remnants of the nuclear testing program will be transferred to the people of Bikini. There are unexpended ordnance and oil which remain in the hulls of those ships, and a salvage operation of the vessels or cable could be hazardous.

Since the condition of the vessels and cable may have an impact on the eventual cleanup and resettlement of Bikini, the Bikinians request that the U.S. Government conduct a study which would cost approximately $300,000 to inventory and determine the condition of the vessels and cable to determine the identity and location of the vessels and more importantly the condition of the ordnance and oil and salvageability of the oil, taking into account radiation levels and other hazards in connection with this project.

The people deeply appreciate the strong support you and your subcommittee have given to their plight, and they look to you, as they did to the late Phillip Burton, to see that the United States fulfills its obligations to them. They ask you to give serious consideration to their requests, as you have in the past. I would be pleased to answer any questions you may have. Thank you.

Mr. SEIBERLING. Let us hear from Mayor Jacklick, and we will get into questions.

Mr. JACKLICK. Thank you. On behalf of the people of Kwajalein I would like to thank you for giving us the opportunity to appear before you today. I have submitted for the record with background information a detailed statement covering projects and funding needs. During compact hearings last year you spoke in support of adequate provisions, Mr. Chairman, being made of the needs of the people of Kwajalein with respect to the infrastructure, jobs, and economic development.

Your words of support have been of great encouragement to those of us, such as myself, as mayor, who must deal with realities of life on Ebeye. Because of funding provided under the 3-year agreement which expired this fall, we have been able to make substantial improvement in basic living conditions on Ebeye.

Improvements to the powerplant, hospital, fresh water system, saltwater sewer system, and new waterhouse and container area have occurred. The new powerplant with desalination capability up to 280,000 gallons each day is the subject of groundbreaking in March. The design for causeway is almost complete and the EPA statement is nearing final phases.

At the present time we again point that funds from regular Kwajalein sources have been almost nonexistent. For fiscal year 1986 we critically need funding as shown in the exhibits to our written statement. We are about to lose services to our dock because the mooring spots have been destroyed and ships cannot tie-up. We have guaranteed prices on the third engine for our powerplant if we can take up the option this year. The causeway project will be completed if funding is availble.

The exhibits with my statement clearly show that $24 million called for in the compact over a 15-year period can easily be used in the next 5 years with substantial shortfall. Ebeye's share of our present maintenance funds in the past 2 years has been minimal.

However, I doubt that any place in Micronesia has made more effective use of operations and maintenance funds. I refer to our hiring, our private firm, to do much needed maintenance work on our infrastructure.

If your committee sees fit to provide more funding for fiscal year 1986 needs, I believe our records show it will be spent well.

I have here Mr. Dan High who is with the construction firm doing substantial work on Ebeye. He or I will be pleased to answer any questions you may have. Thank you, Mr. Chairman.

[Editor's note.—Additional comments pertaining to the people of Ebeye may be found in the appendix under cover of a letter from Alvin Jacklick, mayor, Kwajalein Atoll to Chairman Seiberling, dated March 28, 1985. See table of contents for page number.]

Mr. Seiberling. All right, thank you. Mr. De Brum, has the Marshalls government received all the funding promised for the building of its capitol? I take it they have not.

Mr. De Brum. You are correct, sir, we have not. We have received——

Mr. Seiberling. How much money have you received?

Mr. De Brum. We have received just that amount needed for the architect and engineering which has been been completed by the trust territory government. Let me ask my staff for details of that.

Mr. Ingram. Yes, Mr. Chairman. I believe the trust territory government spent $600,000 to develop a design for the Marshall Islands capitol. The design of that building calls for approximately $7 million in construction fees.

Mr. Seiberling. How much was promised by the Federal Government? In the past?

Mr. Ingram. I believe a total of $3 million was promised and they would subtract that $600,000 from the $3 million.

Mr. Seiberling. So, in effect, you need another—you are asking for more than was promised.

Mr. Ingram. That is correct, sir.

Mr. Seiberling. Based on the architect's plan.

All right, was the status of the Marshall's government to repay the debts incurred on the powerplant?

Mr. De Brum. Mr. Chairman, according to the information passed on to us, as provided for our statement as an exhibit as loan payment schedules, we will be able to contend with that until—I believe until—we are current on the payment of the schedule, Mr. Chairman. We have, as you know, renegotiated the loan agreement, and in addition to being current on the payment we hope with the scheduled payment committed each year we would be able to pay back the loan in due time, sir.

Mr. Seiberling. You are not asking the United States to help pay for that, are you?

Mr. De Brum. Not at the present time, Mr. Chairman.

Mr. Seiberling. In other words, you are going to use your own resources?

Mr. De Brum. Yes, sir.

Mr. Seiberling. One other item in your statement which you request additional funds for, the outer island health care. We have raised this health care with the administration and they say, "Well, once you get the compact in effect you will have money to spend on that or whatever else you decide to spend it on," In other words, it is up to the Marshall Islands government at the present to set its own priorities and if they want Federal help for health care they can get it but they will have to reimburse for it.

Isn't that really the way to go?

Our position has been that under the Burton health care bill we have an obligation to the people of the four atolls which is independent of obligations that the Marshall Islands government may have, and that we intend to continue to implement that. But the position of the administration is that beyond that, it is up to the Marshall Islands government to decide what kind of health care they want for their people as a whole.

So, isn't that the way we ought to leave it as to the outer islands?

Mr. **De Brum**. Mr. Chairman, I think the obligation's to the four atoll people are both incumbent upon your Government as well as my government. We look for you to support that so that together we can work to provide remedies for the health care for these people.

Mr. **Seiberling**. To the extent that the U.S. Government takes care of the people of the four atolls the Marshall Islands government is relieved of having to spend the money they would otherwise spend on the four atolls and that ought to enable them to take care of the people of the other islands.

Mr. **De Brum**. Mr. Chairman, you are correct, sir, at the present time we do also feel that some other people residing in more than the four atolls have also experienced some radiological effects.

Mr. **Seiberling**. But not as severe?

Mr. **De Brum**. Not as severe, sir, no, we don't have any scientific conclusion to that effect though, sir. We were led to believe that when Congressman Burton introduced that legislation he did not preclude people in other islands in the Marshall Islands.

Mr. **Seiberling**. If the Department determined that there were other people significantly affected, then you are right, but so far I am not aware that they have made such a determination.

Mr. **De Brum**. No, nor have they made any exclusions to our knowledge, they have not made that determination.

Mr. **Seiberling**. They have not made any negative determinations either.

Mr. **De Brum**. That is correct. With your permission can I ask my staff to give you further enlightment on that aspect, sir?

Mr. **Seiberling**. Yes.

Mr. Ingram.

Mr. **Ingram**. As we note on page 8 of our statement, Mr. Chairman, last year the Government spent $478,000 for outer island dispensaries and this year they plan to spend $548,000, an increase of 14.6 percent.

Also, we have secured a commitment by the Government of Japan for $750,000 worth of medical supplies, which will be given in part to the outer islands.

We do, however, request an additional $700,000 to improve the outer island health delivery system on an overall basis. This is important with respect to the installation of medical communications systems, purchase of basic medical equipment and positions and public health physician team visits to the atolls.

You are certainly correct that we understand that the limits of the compact are such that we can deal with essential services we need to provide. We, however, would like to expand on the outer islands dispensary program and provide a better level of health care to all the people of the Marshall Islands.

We feel that this system, along with the transition into the new hospital, will ultimately reduce our overseas health costs, which are quite expensive and a drain on our national budget.

Thank you, Mr. Chairman.

Mr. Seiberling. Well, thank you.

I wonder if you could supply us with a breakdown of the $478,000 spent last year, where it went, and the $548,000 appropriated for fiscal year 1985, together, so that we can see how the figures were derived.

We got the figure of $68,000 from the Interior Department. I don't know why the discrepancy, but it is a significant one and we need to get the facts.

Mr. Ingram. If I might, Mr. Chairman, I might add that there are some other discrepancies in what the Department of the Interior told you today. They indicated that the FSM and the Marshall Islands had not contributed to the College of Micronesia, which, of course, is incorrect.

We have an attachment that is with our budget materials which indicates, I believe, that $196,000 was contributed by the three governments to the College of Micronesia in 1985.

Also, the Department of the Interior incorrectly told you that the Marshall Islands powerplant cost from $27 to $32 million; the actual powerplant cost $15,778,000, the total package was $24 million, remaining amounts of money for construction of a fuel farm. Because land is so scarce in the Marshall Islands, we had to have a landfill project.

The additional $1 million was added on as a financial fee because the U.S. Government would not, of course, guarantee repayment of the loans.

Thank you, sir.

Mr. Seiberling. Thank you.

Mr. De Brum. For the record, Mr. Chairman, we will provide the information breakdown of the costs as you requested, sir.

Mr. Seiberling. That will be helpful, thank you.

[Editor's note.—The above-mentioned information may be found in the appendix under cover of a letter from Carl B. Ingram, advisor to the President to Patricia A. Krause, professional staff member, Committee on Interior and Insular Affairs, dated March 4, 1985. See table of contents for page number.]

Mr. Seiberling. I look with great sympathy on some of the supplemental items that you have requested, and we will have to go through them and try to figure out what is feasible and what is taken care of by the compact.

Now, I would point this out to Mr. Weisgall, too, the compact provides a substantial amount of money. It will provide a substantial amount of money for the Marshall Islands, people of Bikini.

The trust fund of $75 million ought to earn $10 million a year, I would think, in terms of income.

My staff says they will only get $5 million a year. I don't know why they will only get $5 million. I guess the Marshalls government gets some of that money. Is that the fact?

Mr. **Weisgall**. Let me address that because there has been a lot of misunderstanding on that point.

If, indeed, the people of Bikini were getting the $75 million under the compact, they would be quite delighted. The $75 million is spread over a 15-year period, $5 million a year for 15 years.

In addition, of the $5 million, $2.6 million goes into trust, $2.4 is distributed to the people.

There is some misunderstanding on the trust. There is a $150 million trust fund for nuclear claims. That must earn $18 million a year, which is approximately 12 percent.

There are calls on that $18 million, $5 million to Bikini, $3 million some for Enewetak, Rongelap, Utriik, $2 million to the Marshalls government, et cetera.

So the Bikinians receive $5 million a year for 15 years. The present value to the Bikinians of the $75 million using about an 8-percent interest rate at about 5-percent inflation, is somewhere in the area of $30 million.

Mr. **Seiberling**. Every time we ask the Ambassador, Ambassador Zeder, why we couldn't take care of the outer islands dispensary program, and so on, he would always say, "Well, all this money is going to be available to the governments when the compact takes effect and they can decide to spend their money on whatever they see fit."

That would include the outer islands dispensary program. I presume it would include, also, the cleanup of the sunken vessels in Bikini Lagoon and supplemental food supplies for Bikini.

Why wouldn't it cover that?

Mr. **Weisgall**. Two responses. First of all, the Bikini people would be absolutely delighted if Ambassador Zeder wanted to live up to his word and make sure the $75 million was provided to the people of Bikini under the compact. You know and I know that $75 million spread over 15 years is not the same as $75 million.

Mr. **Seiberling**. $5 million a year, which is a substantial amount of money.

Mr. **Weisgall**. That is correct.

Let me say one other thing about the cleanup of Bikini.

If you take, using as an example, the funds going to the people of Enewetak, which total $48,750,000, if you divide that by the number of Enewetakese and take the funds going to Bikini and divide by the number of people of Bikini, you get about the same raw figure.

What is omitted is the fact that the U.S. Government has already conducted a cleanup of Enewetak Atoll. The people of Enewetak are back on their atoll. The people of Bikini are the only people in the Marshall Islands who, on the effective date of the compact, will not be living on their homeland.

Their needs are different. The situation on Kili is quite different from what it would be on Bikini. Indeed, the whole funding request is for food only for such time until they are back on Bikini. They have an ample huge reef, an atoll and all the traditional food gathering methods are available in Bikini and they are not available in Kili today.

Mr. Seiberling. The argument of fairness is one argument, but are you saying $5 million is not sufficient to fund the additional food needs, be it $150,000 to study the cleanup of Bikini Lagoon, et cetera?

Mr. Weisgall. If you want to go item by item, certainly cleanup stands out as the most important, and the price tag——

Mr. Seiberling. I am not talking about cleanup of Bikini Islands; I am talking about the sunken vessels.

Mr. Weisgall. I guess really you get to a problem of priorities. The study of the vessels is something that I think should take place as part of the planning for the cleanup.

It ought not take place at some point down the road when the funding starts to flow under the compact of free association.

It is important for the scientific team to have some good idea of what the cable and vessel situation is now like at Bikini, so recommendations can be made to the Congress and Mr. Yates' subcommittee for cleanup costs.

Mr. Seiberling. Well, we are going to run into this kind of argument. We try to come up with the funds, $150,000 for a radiation study—maybe that should be part of the cleanup. I think it would be appropriate—$300,000 to inventory the sunken vessels, et cetera.

And we are going to be told, well, they have the money, $5 million a year—plus various other things—and they can decide what their priorities are.

Mr. Weisgall. I think as to some of the other areas, as I say, down the road under the compact, when there is ample income flow, some of those needs can be met. Unfortunately, those needs are there today.

As far as the cleanup is concerned, I have respectfully disagreed with the Ambassador, and continue to do so. The Bikinians lack the resources under the compact to conduct the cleanup and even if they had them——

Mr. Seiberling. They can't clean up the sunken vessels? They won't have the resources to clean up sunken vessels?

I am not talking about cleaning up Bikini Atoll. I agree with that.

Mr. Weisgall. I have had estimates from salvage companies that run into the tens of millions to take care of the salvage operation.

We really don't know the salvageability. We know there is unexpended ordnance. We know there is oil. And we know there is radiation in the lagoon. It is awfully hard getting anyone short of the U.S. Government to take a look at those conditions for those very reasons.

Mr. Seiberling. Why hasn't Professor Kohn included that in his report to the Appropriations Committee?

Mr. Weisgall. I do not know the reason for that.

Mr. Seiberling. All right. Those are some of the problems that we are going to be wrestling with, of course, and that is really what concerns me in moving ahead with this.

Can you tell me when the Bikini rehabilitation committee is expected to make its report?

Mr. **Weisgall.** It made its last report on November 15, 1984. With funding provided by the Congress last year, experimental pilot programs will be conducted at Bikini this year.

Indeed, one of the scientists with the committee left Kwajalein February 14 for an extended trip to Bikini with a large support group from DOE to begin these trial experiments.

The committee is required to submit a March 1 status report to the Appropriations Subcommittee and my best guess is that this fall, it will submit another report with preliminary results from the pilot decontamination experiments that are currently underway at Bikini.

Mr. **Seiberling.** Well, Mr. De Brum, we have received the national development plan for the Marshall Islands and we are going to study it very carefully so as to give our comments on it to the administration. And I hope that the administration will not be too hasty in starting to give its approval to that until we have had a chance to give our comments on it.

Mr. **De Brum.** Thank you, sir.

Mr. **Seiberling.** And then we will be happy to supply any comments we have to you, certainly.

Mr. Sunia, do you have any questions?

Mr. **Sunia.** Thank you, Mr. Chairman.

I just want to know how many people are we talking about, Bikinians?

Mr. **Weisgall.** Approximately 1,200 today, sir.

Mr. **Sunia.** Thank you.

Mr. **Seiberling.** All right. Thank you. I guess there are no further questions.

We appreciate very much your testimony and we will try to do right by you.

Our final witness is Mr. Noriwo Ubedei, Palau Washington representative.

Thank you, Mr. Ubedei.

STATEMENT OF NORIWO K. UBEDEI, PALAU WASHINGTON REPRESENTATIVE

Mr. **Ubedei.** May I proceed?

I am Noriwo Ubedei, the Palau Washington liaison officer. I have no prepared statement, but I appreciate the opportunity to appear before the subcommittee on behalf of Palau.

I have come in place of the Honorable Santos Olikong, our newly elected speaker of the House of Delegates, Palau National Congress, who had intended to testify on our behalf but was called back on short notice because of some urgent matters back home.

However, he did prepare a brief statement which I would like to submit for the record at our main testimony.

Mr. Seiberling, I know that you will have a lot of questions about Palau, so I would like to briefly summarize what would have been the statement by our new speaker.

Mr. **Seiberling.** All right. Thank you.

Does that represent the position of the government of Palau or the house of delegates or both?

Mr. **Ubedei**. It is safe to say that it does represent the government of Palau.

Mr. **Seiberling**. All right.

Mr. **Ubedei**. I understand Speaker Olikong was talking to the President and the President encouraged him to submit a statement.

Mr. **Seiberling**. Thank you.

Mr. **Ubedei**. Briefly, the leadership in Palau, which had been a subject of some questions for some time, appeared to be very unified as of late last week.

The Senate finally passed a resolution approving the compact of free association. This same resolution was earlier passed by the house of delegates on September 4, 1984. The voters in Palau overwhelmingly approved the same compact of free association.

The document, as we understand it, is now awaiting the President's final decision as to what he should do with it.

The second subject we would like to mention is that Palau urges the Congress to approve the Compact of Free Association for both the FSM and the Marshalls.

We also see a need for urgent and quick termination of the trusteeship agreement. Regardless of Palau's situation with respect to the delayed financial approval, if it comes to that, the United States as well as the rest of the world must respect the wishes of the people of Northern Marianas, FSM and Republic of the Marshalls.

They have expressed their respective rights to self-determination and they must not be disappointed because of unnecessary delay in the termination of the trusteeship agreement.

We also earnestly request certain funding for certain projects that have not been fully completed, which are very, very important to Palau before we assume the role of self-government.

These include funding for a new hospital, sewer systems for the Arkabesang, which is becoming crowded and has some new hotels being built on to it, and extension of paved roads to certain villages in Koror, which are not completed, and two low-cost coral airstrips in the outer islands necessary for medical evacuations and which could be used for surveillance of the area, which has been constantly raided by fishermen from other countries. We have no means of stopping them, so they go over and get what they want at their will.

Upon implementation of the Compact of Free Association, Palau will turn its attention to fully developing possible law, which has not been developed, to promote further economic expansion for Palau as we see it is becoming quite obvious.

We finally would request the subcommittee to consider funding for the trust territory Social Security prior service benefits program. I am sure this has been requested by the other governments and the new campus for the College of Micronesia in Pohnpei, and the school of nursing in Majuro, and make sure that the $3 million endowment funds is restored, which is so necessary for their financial independence at some time in the future.

We also notice the drastic reduction in the technical assistance and we request that the subcommittee consider this very, very important item during our transition and see to it that adequate funding is restored in this program so that we can, with no assistance from the Department of Interior, help us put our house together before we go on our own.

I would be remiss if I did not state at this opportunity our wish to thank this subcommittee for the help you have done for Palau, especially with respect to the securing of additional funding to help Palau live through its worst financial crisis last year.

I think with that, Mr. Chairman, I would answer any questions you might have.

Mr. SEIBERLING. Thank you very much.

I certainly agree with you that we should make another effort to get the funds for the hospital. But the $4.5 million for the sewer system in Arkabesang Island is something I have not heard of before. I don't even know where that island is.

Mr. UBEDEI. The Island of Arkabesang is the one adjacent to Koror, connected by a causeway.

Mr. SEIBERLING. That is not the one connected by the big arched bridge?

Mr. UBEDEI. No.

Mr. SEIBERLING. That is to Babelthuap.

Mr. UBEDEI. That is connected to Babelthuap, yes.

Mr. SEIBERLING. Is this south of Babelthuap or what direction?

Mr. UBEDEI. No, this is to the west of Koror.

Mr. SEIBERLING. West of Koror, OK.

Mr. UBEDEI. Yes.

Mr. Chairman, at this time the new resort hotel has just opened in that area. I understand that the resort hotel has a self-contained sewer system and it will not be long before that sewer system becomes obsolete.

Mr. SEIBERLING. How urgent is this?

Mr. UBEDEI. We feel it is very urgent for environmental and economic reasons. There are more than 1,500 people living in that area.

With the new hotels, it is likely to attract more people moving in there who will need more facilities.

Mr. SEIBERLING. I assume the new hotels have their own sewage treatment.

Mr. UBEDEI. That is what we are afraid of.

Mr. SEIBERLING. Wouldn't the new hotels have their own?

Mr. UBEDEI. That is what we are afraid of.

Mr. SEIBERLING. It is nothing to be afraid of, is it?

Mr. UBEDEI. To tell the truth, we don't know what the Japanese systems are like.

Mr. SEIBERLING. Don't you have a government requirement that before they put in any big new development, that they also have approved sewage treatment plants as part of it?

Mr. UBEDEI. That may be a problem we are facing with loose government, you know, controls.

Mr. SEIBERLING. Well, it is within their control. You can't build a new development out in the country in the United States in most places, anyway, without having an approved sewage treatment facility.

If you can't hook into a central facility, you have to put in one that will take care of the development itself.

Are you saying that Palau does not require that when someone builds a new hotel?

Mr. UBEDEI. I may have been mistaken, Mr. Chairman. The truth of the matter is that Palau may be in a very, very difficult situation as with the United States in that in our overanxiousness, or something, to develop economically, set up economic developments, some of these things become very, very vital to us.

I am not sure if——

Mr. SEIBERLING. In the interests of the people who have the hotel, it is in their interests that they don't have all their guests come down with dysentery because of polluted water.

It seems to me this is something the government of Palau ought to be able to insist upon. And, I would think it would be in the interests of the Japanese, the hotel company, too.

Mr. UBEDEI. I think, Mr. Chairman, there is a system now but what we are very much concerned about is how long will that system last?

Mr. SEIBERLING. I can see why if that still doesn't take care of all the other people living there or the new ones that move there, I see that.

So once you take care of them, you haven't solved the problem because they can pollute the water just as easily as the guests in the hotel.

So in other words, the hotel is already built, is what you are saying?

Mr. UBEDEI. You are correct.

Mr. SEIBERLING. And you have to have some kind of sanitary sewer system for the rest of the people. OK.

I just wanted to get in the record exactly what this was for.

This $4.5 million, is that the total cost or is that an estimate of how much is needed just for fiscal year 1986?

Mr. UBEDEI. According to the information based on the system in Koror, the one they are completing now, that will take care of it all.

Mr. SEIBERLING. In other words, you think it should be appropriated in one shot so they can go ahead and make contracts and now worry about whether they will get a second installment in 1987 and so forth.

Is that what you are saying?

Mr. UBEDEI. Other alternative ways of financing the system are acceptable, I think.

Mr. SEIBERLING. All right.

Has the government of Palau received all the funding promised by the executive branch for the building of the capitol?

Mr. UBEDEI. Mr. Chairman, we have not received any money for the capitol.

Mr. SEIBERLING. Have you any figure as to what amount of money is needed?

Mr. UBEDEI. Mr. Chairman, I am sorry. I do not have the figure. I understand there is a plan going on to design it, the A&E for the capitol in Babelthuap, but our office has not received anything.

Mr. SEIBERLING. Was any money given to Palau for the architectural work to design it yet?

Mr. UBEDEI. I am not sure of that.

Mr. Seiberling. If you can supply it for the record, whether any money has been given for architectural work, and if so, what their estimate of the cost is, and whether the figure was promised or how much was promised by the executive branch for the capitol, we would appreciate that.

[Editor's note.—In response to Chairman Seiberling's inquiry, the Department subsequently supplied the following information:]

Of the funding promised by the executive branch for the building of a capitol in Palau, as of mid-fiscal 1985 $.412 million had been appropriated and $2.6 million was still owed to Palau.

Mr. Seiberling. What is the status of the Palau's ability to pay what it owes on its debts for its powerplant?

Mr. Ubedei. Mr. Chairman, I again do not know the answer to that question. I would be glad to try to get more detailed information from our government.

Mr. Seiberling. Well, I guess it was Mr. Montoya who said they were negotiating it at this time; is that correct?

Mr. Ubedei. If they are, Mr. Chairman, I am not aware of the current talks.

Mr. Seiberling. If you could let us know, we would appreciate that.

[Editor's note.—No information on Palau's powerplant was received from the Palau government so the Pacific Daily News article that is printed here was added by subcommittee staff.]

PACIFIC DAILY NEWS, Thursday, June 13, 1985

Banks press Palau for large debt

By DON SHUSTER
For the Daily News

KOROR, Palau — The 16-megawatt electricity generating station being built by International Power Systems, Ltd. (IPSECO) for $32.5 million in Aimeliik state is in deep financial trouble, according to Palau National Congress House of Delegates members who met with bank officials in New York recently.

"We are not blaming anyone for the default situation but we want the people of Palau to know how serious the IPSECO problem has become," said one House member.

Delegate Ignacio Anastacio was more critical in his assessment, saying "the IPSECO deal is the greatest international sham we've yet seen in Palau. Another British company, Mirlees Blackstone, could have built the power station for $9 million."

The $32.5 million loan to build the IPSECO power station was made available from the Export Credit Guarantee Department of the British government through the National Westminster Bank and Country Bank. These two banks issued separate default demands to Palau for $8 million and $25.8 million in March and April of this year. These lenders are guaranteed by a syndicate of five international banks: Morgan Guaranty Trust Company for $10 million, Morgan Grenfell Co. for $5.7 million, Bank of Scotland for $5.6 million, Bank of Tokyo for $5.6 million, and Orion Royal Bank for $5.6 million. Morgan Grenfell acts as agent for the syndicate and regards Palau's default a grave crisis.

Steven Syrett and Richard Halcrow, of Morgan Grenfell, met with Palau officials in New York in mid-May to discuss the severity of Palau's loan default and its serious consequences. They went so far as to suggest putting all government employees on a 32-hour workweek and delaying paychecks for two weeks to raise the money to cure the default. The total sum owed has increased to $33.8 million.

The five guarantor banks are apparently secured against financial loss by a cash collateral account to which they have legal title. Palau was expected to fund the collateral account with $17.5 million disbursed under the Compact of Free Association, but the account has only $928,203 in it and compact monies are not yet available. Deductions of $169,114 have been made from the collateral account to cover interest payments due in 1985 as funding costs incurred by the syndicate of banks.

According to House officials, the $928,203 represents import tax money due the Palau national treasury but illegally diverted to the collateral account. Also, since August 1984, utility collections have been deposited into a special power project fund now totaling between $500,000 and $1 million. These funds can be used to service the IPSECO loan; however, House officials state such an arrangement is illegal according to provisions of Public Law 1-54.

By early July, interest costs on the loan will have exhausted the collateral account. Bank officials stated in their May 16, 1985 letter to President Haruo Remeliik that "Palau must pay all interest costs and expenses relating to carrying the debt at the rate of approximately $350,000 per month commencing in July of this year."

House officials are deeply alarmed over the situation because it will mean that as of June 4 Palau must pay $11,600 of interest per day on the IPSECO loan if corrective action is not taken immediately.

In the same letter Syrett and Halcrow asked Palau to restructure its 1985 budget and present to the bank officials within 45 days a financial package that includes funding of Palau's interest and expense obligations until Sept. 30, 1985. Within a 60-day period the president should submit to the bank syndicate "a comprehensive and very specific line-item budget plan for financing your interest and expense obligations to service the loan during fiscal year 1986."

The two bankers also expect the president's legal counsel and ministers to make an effort to persuade U.S. congressmen of the need for immediate supplemental funding to improve Palau's critical financial situation.

The republic's executive branch has attempted to meet the default problem by securing a United Nations financial expert, Thomas Khroley, and by requesting a grace period of three to five years during which time Palau would be required to make payments of interest costs and expenses only.

According to House officials, Morgan Grenfell would be willing to restructure the loan, but only on the condition that Palau pay $1 million restructuring charge. If the loan is not serviced, estimates from Morgan Grenfell show Palau's debt accelerating to $106 million by January 1995.

House officials who made the Washington and New York trips include Speaker Santos Olikong, Vice Speaker Shiro Kyota and members Ignacio Anastacio, Surangel Whipps, Thomas Patris, Hideo Tell, Minami Ueki and Joe Kintol.

Mr. SEIBERLING. Do you know how much money is owed at this time?

Mr. UBEDEI. I understand that the interest due is $2.7 million.

Mr. SEIBERLING. What is the due date?

Mr. UBEDEI. March 2 or 4, I think.

Mr. SEIBERLING. Can you tell us why Palau turned down the offer of the Department of the Interior to grant them $4.5 million for a 16-megawatt powerplant?

Mr. UBEDEI. Well, Mr. Chairman——

Mr. SEIBERLING. Did you hear what Mr. Montoya said on that?

Mr. UBEDEI. Mr. Chairman, I did hear his statement and at the time it sounded too good to be true.

Mr. SEIBERLING. Yes.

Mr. UBEDEI. I think there was indeed money appropriated by the Congress for that amount for eight 2-megawatt engines.

Mr. SEIBERLING. He said 16.

Mr. UBEDEI. Eight units with 2-megawatt capacities, so that brings it up to 16 megawatts.

Mr. SEIBERLING. I see.

Mr. UBEDEI. I do understand when they made that offer, Palau has already signed or was about ready to sign the agreement.

Why Palau did not change their mind, I could not answer that question, Mr. Chairman.

Mr. SEIBERLING. All right. Well, I guess that is about all. I have run out of questions. We have run out of time, too.

I want to thank you and we will see what we can do in our budget report.

Mr. UBEDEI. Thank you, Mr. Chairman.

Mr. SEIBERLING. The committee will stand adjourned.

[Whereupon, at 1:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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APPENDIX

MONDAY, FEBRUARY 25, 1985

ADDITIONAL MATERIAL SUBMITTED FOR THE HEARING RECORD

STATEMENT OF RICHARD T. MONTOYA, ASSISTANT SECRETARY OF THE INTERIOR FOR TERRITORIAL AND INTERNATIONAL AFFAIRS, BEFORE THE HOUSE INTERIOR SUBCOMMITTEE ON PUBLIC LANDS, REGARDING THE FISCAL YEAR 1986 BUDGET FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS, FEBRUARY 25, 1985.

Mr. Chairman and members of the Subcommittee. I am very pleased to have the opportunity to once again appear before you and review the operation of the Office of Territorial and International Affairs and discuss the Administration's programs and proposed budget as they affect the Trust Territory of the Pacific Islands for fiscal year 1986.

In previous years, our budget request for the Trust Territory of the Pacific Islands has sought funding for the operations of a Trust Territory government and for the developing governments of the Republic of Palau, the Republic of the Marshall Islands and the Federated States of Micronesia. This year's Administration request, however, is based on the assumption that the United States Congress will formally approve the new political status of Free Association which has been freely chosen by the people of the Marshall Islands and the Federated States of Micronesia.

As the members of this subcommittee are aware, the Trust Territory Government has been in a phase-out process for the past three years under this Administration because of the pending approval of the Compact of Free Association. OTIA has, as a result, already assumed a large number of the responsibilities previously administered by the Trust Territory government.

In anticipation of Compact approval, we are now in the process within OTIA, with the assistance of a special task force authorized by the Secretary of the Interior, of investigating methods for the final phase down of TTPI operations at the appropriate time.

OTIA and the High Commissioner's Office are awaiting the results of this special task force study of TTPI operations. The study will make recommendations to the Secretary and myself on: (1) developing a timetable for the elimination of functions and/or the assumption of functions by the new governments or OTIA; (2) reviewing necessary changes in existing law which may be required to accomplish our task; (3) insuring that essential services called for by the United Nations Trusteeship agreement for Micronesia are maintained while undergoing transition; and (4) phasing out the operations of the Office of High Commissioner.

As we have done in previous discussions with you Mr. Chairman, OTIA will continue to keep you and other members of the appropriate committees of the Congress fully briefed on our plans as they evolve from our studies and findings.

Budget Request for the Trust Territory of the Pacific Islands - Fiscal Year 1986

The FY 1986 budget request of $13.5 million for the Trust Territory of the Pacific Islands includes funding only for the continued operation of necessary functions in the Trust Territory Government and for the operations of the Government of the Republic of Palau which has not yet completed its internal approval process on the Compact of Free Association.

The funding provided to the governments of the Marshall Islands and the Federated States of Micronesia is reflected in the budget for the Department of State.

As you are aware, Mr. Chairman, during the past three years the governments of the TTPI have been provided with over $300 million for the construction of basic infrastructure.
With the FY 1985 appropriation for the current year, all construction projects included in the Administration's Capital Improvement Program (CIP) have been funded. Therefore, no additional funds are being requested for this activity.

Ongoing construction, however, is expected to continue through fiscal year 1987 utilizing unliquidated balances of funds from prior year appropriations.

The Department believes that the United States has met, and in fact exceeded, its commitment for pre-Compact construction of capital improvements. Where there may be a continuing need for improvements to the capital infrastructure, this need will be met by the inclusion of capital accounts funding in the Compact of Free Association.

Trust Territory Operations

We are requesting $2,450,000 for administration of the Trust Territory Headquarters, which reflects our plans to reduce the operation of Office of the High Commissioner to the minimum level necessary to provide essential services to the Republic of Palau in FY 1986, and carry on residual responsibilities associated with monitoring and supervising the final liquidation of multi-year grant funds.

We are asking $300,000 for the College of Micronesia and $150,000 for satellite communications based on the assumption that the the Republic of the Marshall Islands and the Federated States of Micronesia will receive funding for these activities under the Compact of Free Association and will pay their share for the continued operation of the college and satellite communications.

We are requesting $10.6 million for the operations for the Republic of Palau, an increase of $99,000 over the amount contained in the current budget.

The national government continues to be the single largest employer in Palau and financing the operations of the national government has been, and continues to be, a major concern. The Legislature and leadership of the Government of Palau are to be commended for addressing what could have been a serious deficit problem during FY 1985 and 1986. In recognition of the need for Palau to develop additional local revenues, the national legislature of Palau (OEK) passed a comprehensive tax bill which became effective October 1, 1984 and should provide an additional $200,000 in local revenues this year.

Operations and Maintenance

Routine maintenance of government facilities continues to be an issue of high priority and an active operations and maintenance program is essential to the continuing development of the Micronesian economies, and to the protection of the $300 million investment that has been made in infrastructure.

OTIA has this year hired an engineer, located and working out of Guam, to work exclusively on the operations and maintenance program. His duties are to advise the governments and coordinate the maintenance program between the construction engineers and the governments.

Four Atoll Health Care Program

Public Law 95-134, as amended by Public Law 96-205, charged the Secretary of the Interior with the responsibility of developing a health care program for the people of the four atolls of Bikini, Enewetak, Rongelap and Utirik, who were exposed to radiation from the U. S. nuclear weapons testing program.

Knowing of the special interest this subcommittee has taken in this issue, I am pleased to report to you that considerable progress has been made on the Four Atoll Health Program this year.

Working with the Department of Energy (which has responsibility for programs that have monitored and provided health care to this group since 1954), the Public Health Service, the people of the affected atolls, the Government of the Marshall Islands, and members of the staff of this subcommittee, we have been able to develop a comprehensive program in response to the legislation.

The program will be implemented by a private firm under contract to the Department of the Interior. Five proposals were received in an open and competitive process. Final negotiations with three finalists began last week, with the final and best offers due by March 1. The contractor will be selected by March 8 and will begin work on the program in the Marshall Islands later in the month.

While the Government of the Marshall Islands has not officially approved of this program, the government has agreed to work with DOI and the contractor in utilizing the hospital at Majuro, and providing transportation and communications services on a reimbursable basis.

Thank you Mr. Chairman for allowing me to express our views on the FY 1986 budget and the programs we are currently administering in the Trust Territory. I welcome the opportunity to address further any issue or questions you and the members of the subcommittee may have on our request.

STATEMENT OF THE HONORABLE WILLIAM A BROWN

Deputy Assistant Secretary of State
for East Asian and Pacific Affairs

Mr. Chairman and members of the Subcommittee:

I am pleased to appear before you today on behalf of Department of State to discuss the President's FY 1986 appropriations request for Compact of Free Association funding for the Marshall Islands and the Federated States of Micronesia and the other topics mentioned in your letter of invitation. I am accompanied today by Mr. James Berg, a State Department officer.

I might just say at the outset, Mr. Chairman, how pleased I was to hear that you had announced the schedule for the last of your hearings on the Compact and that you are working for referral of the Compact to the full House this spring. It has been a long process but one to which the United States Government can point with pride, given the thoroughness and care which the subcommittee has demonstrated.

When President Reagan submitted the compact to the 98th Congress for enactment by both houses, he stated the two primary reasons that this administration, and every other Administration since 1969, believes that the Compact, when enacted and put into effect, will advance the natonal interests of the United States and will serve our regional and overall foreign policy goals. First, President Reagan said that the defense and security provisions of the Compact "are of great importance to our strategic position in the Pacific and enable us to continue preserving regional security and peace." Second, addressing the obligations of the United States to the international community under the Trusteeship Agreement, the President stated that the "Compact of Free Association with the governments of the Federated States of Micronesia and the Marshall Islands would fulfill our commitment under that agreement to bring about self-government."

The Compact the President is submitting to this Congress is the same document as he submitted last year. The Administration continues to believe that the two goals I mentioned above -- the maintenance of the United States strategic position in the Pacific region and the fulfillment of our trusteeship responsibilities -- are accomplished in the Compact and provide a compelling basis for its early enactment by Congress. And, as this Subcommittee in particular knows from its previous and extensive hearings on the Compact, there are significant reasons for and implications from Compact approval and effectiveness.

It is the Administration's hope that the Compact of Free Association can be approved and its implementation begun by the beginning of the next fiscal year. For this reason, the President included a request for full first-year Compact funding in his budget proposal and did not include a contingency request to continue the present funding arrangements for the Marshall Islands and the Federated States of Micronesia. It is our understanding that the Marshall Islands and the Federated States of Micronesia are also anticipating Compact approval and funding starting October 1 of this year and have designed their programs accordingly.

The President's request for first year Compact funding totals $299.27 million. Of this amount, just over one half, or $158.46 million, is for special purposes and will not be requested in future years. The remainder, approximately $141 million, constitutes the FY 1986 portion of the recurrent grants governmental current and capital account purposes specified in Title Two of the Compact. Compact funding for the remaining fourteen years of the initial funding period will average approximately $143 million for the Marshall Islands and the Federated States of Micronesia, including inflation adjustment and the estimated cost to the United States to provide the federal services contemplated in the Compact.

The amounts included in the President's request, with the exception of the estimates for the federal services, will, upon appropriation, be paid to the future freely associated states pursuant to the terms of the Compact. The freely associated states will use these revenues, together with locally generated receipts, to finance their government programs and to invest in their capital and economic development programs.

Funding over the entire fifteen year funding period will be allocated by the freely associated states according to the terms of the national development plans required by the Compact. Both the Marshall Islands and the Federated States of Micronesia have completed their development plans and the Marshall Islands plan has been forwarded to the United States Government for the review and concurrence foreseen in the Compact. We expect to receive the Federated States of Micronesia plan shortly. A copy of the Marshall Islands plan has been forwarded by Ambassador Zeder to you, Mr. Chairman, for the Subcommittee and other copies have been sent to the staff.

The President's request for Compact funding is included in the Department of State chapter of the FY 1986 budget. The Administration organized its request in this way in light of its intentions with respect to executive branch organization for the management of the new relationship. As I think you know, we contemplate the creation of an interagency professional office, headed by a Department of State officer with deputies from Defense and Interior and personnel from these and other agencies as required, which will be attached to the Department of State for administrative support and budgetary services. This office will be responsible to an interagency policy committee, which is chaired by a State Department officer and reports to the National Security Council. It is in this context that the Department of State budget offers the most logical place for the Compact of Free Association line item. The formal organization of the President's budget with respect to the Compact is, of course, entirely independent of the manner in which the interested committees of the Congress may choose to deal with the substantive questions involved.

Mr. Chairman, in your letter, you also asked that I provide you with a report on the status of Ambassador Zeder's discussions with Palau on the Compact of Free Association. I think you know that in Palau's November 30, 1984 national elections, the incumbent President and Vice-President were returned to office by substantial majorities and that there were some changes in both houses of the Palau national congress. You also know that Palau President Remeliik called a vote on the Compact of Free Association last September. In that vote, the Compact of Free Association received approval from about 67% of those voting. However, both the Compact and the ballot in that vote specified that, to be considered approved, the Compact would have to receive a majority of at least 75%. The 75% requirement was specifically included in the Compact and on the ballot in order to protect our "full defense authority" from legal challenge based on the Palauan Constitutional provision requiring a 75% vote to authorize the use, testing, storage and disposal of nuclear weapons in Palau. Therefore, aside from the fact that the September vote was not observed by the United Nations, the Compact was not approved by its own terms and the terms of the ballot, both of which were agree to by the United States and the Palauan Governments prior to the election.

Our position, then, is that the Compact has not been approved by the Palauans under its own terms nor in a manner consistent with their constitutional procedures, but we are ready to continue our discussions with the Palauans whenever they are ready. We sincerely hope that they can devise a way to approve the Compact for which a large majority of the people of Palau have now twice stated their support.

Conclusion

Mr. Chairman, in closing, I would like to return for a moment to the subject of the Compact of Free Association and the positive benefit we expect it will have on United States foreign policy and on our presence in the Pacific, including on our Pacific territories. Replacing the increasingly outdated Trusteeship arrangement with a relationship that allows the freely associated states to enjoy full internal self-government and the capacity to manage their own foreign relations is entirely consistent with our responsibilities under the Trusteeship Agreement and serves United States' interests in the Pacific region and in the world. We expect to encourage the freely associated states to continue to work cooperatively with the state of Hawaii, with our Pacific territories of American Samoa and Guam, and with the Northern Mariana Islands. We also expect them to establish and maintain close relations with the independent island nations to their south, thereby helping to enlarge existing institutions for benefit to all of the Pacific.

The Administration urges the Congress to enact the Compact of Free Association at an early date. In this connection, Mr. Chairman, I want to mention again that we are heartened to see your commitment to expedite the process. We pledge to you our support and assistance to this end.

4/12/85

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

APR 11 1985

Honorable John F. Seiberling
Chairman, Subcommittee on Public
  Lands and National Parks
Committee on Interior and
  Insular Affairs
House of Representatives
Washington, D. C. 20515

Dear Mr. Seiberling:

After your March 25 budget oversight hearing, you sent a written question regarding budget rescissions.

The answer is enclosed. Should you require additional information on this subject, we will be happy to secure it for you.

Sincerely,

Rick Montoya

Richard T. Montoya
Assistant Secretary
Territorial and International Affairs

QUESTION FOR THE DEPARTMENT OF THE INTERIOR

1. QUESTION: When the President's proposed budget for fiscal 1986 was forwarded to the Congress in early February, it contained a list of requests for budget rescissions. Included in that list were two items affecting Micronesia: 1) $3 million that had been appropriated in 1984 by the Congress for the College of Micronesia's land grant trust fund; and 2) $2.5 million for the initiation of a program to train medical officers for Micronesia and American Samoa.

Please tell us precisely where these requests for rescissions originated in the executive branch.

ANSWER: Item numbered 1 is a proposed rescission under the jurisdiction of the Department of Education, and item numbered 2 is is a proposed transfer of Department of Health and Human Services' appropriations for a medical officers training program from HHS's Public Health Service to its Office of Human Development. We are advised that the Office of Human Development would devote the funds to foster care and adoption assistance services. The President's budget proposal is the product of a lengthy and involved preparation process. Many policy issues are raised and and reviewed at different stages of the process. These issues are reviewed by OMB and the involved agencies. Budget recommendations arrived at through this process are subject to appeal by any involved agency. Ultimate decisions become part of the President's budget.

STATEMENT
OF
EPEL K. ILON
WASHINGTON REPRESENTATIVE
OF THE FEDERATED STATES OF MICRONESIA
BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS AND NATIONAL PARKS
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ON THE
FEDERATED STATES OF MICRONESIA FY'1986 BUDGET REQUEST

FEBRUARY 25, 1985

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

My name is Epel Ilon, Representative of the Federated States of Micronesia here in Washington, D.C. With me are, Senator Raymond Setik, Chairman of the Ways and Means Committee of the Congress of the Federated States of Micronesia, who also has a prepared statement to present to this Committee; the National Government Budget Officer Mr. Del Pangelinan, and Mr. Thomas Bussanich, the Congress Budget Officer. I ask your permission for the Budget Officers to assist Senator Setik and I, in answering any questions you may have and for our comments to be inserted into the records of this hearing.

On behalf of the Government of the Federated States of Micronesia, I wish to thank you for this opportunity to present our budget request for the 1986 fiscal year.

Mr. Chairman, before I proceed with my testimony on our request, I would like to say that our government and our people are very pleased with your announcement that this Subcommittee will conclude its hearings on the Compact of Free Association next month. The FSM fully supports approval of the Compact early in this session of Congress, and its implementation by or before the beginning of FY 1986.

Mr. Chairman, while we support approval of the Compact without delay, there are a number of matters relevant to the process of transition into free association, which are not addressed in the Administration's FY 1986 budget request, for which we seek your support in their resolution. Most of these matters have been discussed with the Administration and with the Subcommittee over a number of years. They include topics such as, the long-standing U.S. promise to establish a permanent national capital for the Federated States, funding for a new campus for the Community College of Micronesia, war claims, prior service benefits and indefinite land use compensation. We ask this Congress to help resolve these matters either by appropriating funding in FY 1986 or by making a firm commitment to appropriate the necessary funding in the future. Timely fulfillment of these obligations is essential to the achievement of the goals forming the foundations of our free association relationship with the United States.

I would like to make special mention of two of these important matters; the new national capital facilities and the new campus for the Community College of Micronesia. As you know, for some time, planning for these essential projects has been coordinated in order to maximize utilization of limited funds. With last year's appropriation for the national capital, we have completed the architectural and design work and initiated the construction bid process so that bids will be opened on May 31 of this year. We are somewhat distressed that the Administration has chosen not to include a second installment on last year's construction funding commitment, in its FY 1986 budget request. I would also like to mention, as we have done previously, that the minimum cost estimated for an operational national capital is $24.9 million, and we once again request that the United States makes a commitment to fund the full amount.

The estimated cost for replacing the existing deteriorated and inadequate facilities of the Community College of Micronesia is $12.0 million. I would like to ask that the Subcommittee seriously consider the need for a new Community College of Micronesia campus and provide support for this priority project of critical importance to manpower development in the Federated States of Micronesia.

Mr. Chairman, there are two other matters of importance relating to the College. First, we understand that the Department of Interior budget request includes only $300,000 for the College's operations, compared to last year's level of $1.6 million. This amount is apparently intended to cover Palau's contribution to the

College's operations, but not the FSM's and Marshall Islands'. While the FSM, Palau, and the Marshall Islands have agreed to continue the College as a unified post-secondary institution, final arrangements on cost-sharing have not been determined. We ask that Department of Interior operational assistance for the College continue on at least a transitional basis until these arrangements can be finalized. In any event, $300,000 as Palau's share is totally inadequate.

The other matter, which I know you are quite aware of, is the Administration's proposal to recind the $3.0 million appropriated last year as an endowment fund for the College, under the land grant program. That appropriation was secured through your invaluable assistance. For us, the land grant program is not "narrow in purpose and nonessential" as stated by the Administration, and I must once again thank you for interceding on our behalf to block the proposed recission.

Mr. Chairman, we are also asking that the Congress appropriate funding to complete certain capital improvement projects. We continue and will always maintain that the original five-year CIP should be fully implemented, and disagree with any approach that implies that Compact funding earmarked for economic development and other essential

CIP projects should be diverted for this purpose. It is also important that the United States undertake continuing responsibility for correcting deficiencies in existing infrastructure, and not saddle the FSM with this additional burden. Particularly acute is the need to correct deficiencies in public facilities, such as schools and hospitals and put them back into decent shape.

Mr. Chairman, we have two other concerns which relate more directly to the budgetary requirements for successful implementation of the Compact -- the matters of U.S. federal programs loss and technical assistance.

We estimate, upon implementation of the Compact, that the FSM will face a reduction of around $16.0 million in U.S. grant assistance for operational and service activities, particularly as a result of the termination of U.S. federal programs. The immediate withdrawal of U.S. federal programs would have serious adverse impacts on essential services currently being provided to our people, particularly in the health and education areas, and would have equally negative impacts on our employment and tax bases. We are committed to undertaking the analyses, planning and policy decisions, necessary to ameliorate these impacts, but it will be a difficult and time-consuming process. The FSM seeks the congressional authorizations and appropriations necessary to achieve a carefully planned phase-out of U.S. federal programs and services.

With respect to technical assistance, we seek assurances that such assistance will be made available to the FSM in accordance with the understandings reached in negotiating the Compact. The FSM has received invaluable technical assistance in the past, and continuation of such assistance, particularly during the transition to Free Association, is imperative.

Again, the Federated States of Micronesia looks forward to approval of the Compact early in this session of the Congress. With implementation of the Compact, we can realistically begin to focus on much needed economic development and ultimately achieve increased economic self-sufficiency. We urge the Congress to enact an FY 1986 budget which addresses both Compact-level funding requirements and fully addresses outstanding U.S. Government Trusteeship obligations and transitional needs for successful implementation of the Compact.

Mr. Chairman, that concludes my statement.

REPUBLIC OF THE MARSHALL ISLANDS
MAJURO, MARSHALL ISLANDS 96960 CABLE REPMAR

STATEMENT OF THE HONORABLE OSCAR DE BRUM

CHIEF SECRETARY OF THE GOVERNMENT

OF THE

REPUBLIC OF THE MARSHALL ISLANDS

SUBMITTED TO THE

SUBCOMMITTEE ON PUBLIC LANDS AND NATIONAL PARKS

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

(25 February 1985)

Introductory Remarks

Mr. Chairman and members of the Subcommittee. My name is Oscar de Brum and I am the Chief Secretary of the Republic of the Marshall Islands. On behalf of President Kabua and the people of the Republic of the Marshall Islands, I wish to thank you for this opportunity to appear before you in respect to the fiscal year 1986 United States budget as it relates to the Republic of the Marshall Islands. Accompanying me today is Mr. Carl B. Ingram, Advisor to the President and the Cabinet.

Before I discuss of the 1986 budget, I wish to convey to the Subcommittee, the gratitude of the people of the Marshall Islands for the programs authorized by the Subcommittee for fiscal year 1985 and for the add-on appropriations made in fiscal year 1985. These appropriations included continuation of the supplemental food program for the people of Bikini, $2.5 million for the Laura Water Project and $880,000 for the Jaluit Dock. We believe, both the Laura and Jaluit projects will contribute to the development of the economy of the Marshall Islands. I am submitting an attached statement which describes our plans for use of these funds along with a status report on other, on-going capital improvement projects.

We are also appreciative of a number of important fiscal year 1984 supplemental appropriations in the areas of health and education which benefit the Marshall Islands along with the rest of Micronesia. These include $2.5 million appropriated to the Public Health Service for a project to train non-traditional health professionals from Pacific countries, and funding of the College of Micronesia (COM) land grant endowment and Title III Education programs which will benefit COM's program. These appropriations evidence that Congress continues to recognize the special needs of the peoples of the Pacific, and for this we are grateful.

Mr. Chairman, I would like to make a brief report on the financial and economic situation of the Marshall Islands.

Financial Status

The financial status of the Government of the Republic of the Marshall Islands (sometimes herein the Government) continues to improve. Last year, we reported to the Congress that through our deficit elimination program, we had reduced our cumulative, prior year deficit by $2.0 million during fiscal year 1983. I am happy to report that in 1984, for the first time, our revenues exceeded expenditures (slightly) and we were able to further reduce the deficit by $2.5 million. For 1985, we have again curtailed normal operational programs in order to budget $1.5 million to continue the deficit elimination program. If all goes according to plan, this will leave $1.0 million in outstanding prior year deficits at the end of 1985, which will be the amount owed to Tripler Army Medical Center for medical services. I will address this subject in greater detail later in this statement.

The Government is continuing an aggressive program to generate additional revenues. As a result of this program, domesic revenues increased by 24 percent between fiscal year 1982 and fiscal year 1984, going from $8.2 million to $10.2 million. In fiscal year 1985, an important milestone will be reached in our revenue generating program. For the first time, revenues from domestic sources are anticipated to exceed revenue from the United States Basic Grant.

Last year, the Marshall Islands Nitijela passed legislation which doubled the import tax rates for most commodities. This legislation resulted in increased revenues of $800,000 during fiscal year 1984. This year, legislation has been introduced to increase the income tax from 6% to 8% on the first $11,000 earned, and from 10% to 11% on earnings above $11,000. This new tax measure would yield an additional $500,000 in fiscal year 1985. I note also that last year we were able to increase the income tax applicable to Kwajalein Missile Range contract employees, from 3% to 5% with the assistance of Assistant Secretary Richard Montoya. We appreciate his assistance in this regard.

Mr. Chairman, these revenue raising measures have not been popular. However, my government is committed to building a more self-reliant nation and knows that it must help itself first before it seeks assistance from the United States.

We have taken other measures to improve our financial situation. Health service fees have been significantly increased, as shown in the attached schedule. A computerized billing system for utility services is now operational and is being made ready for take over by the Marshalls Energy Corporation (MEC). Incidentally, I note that MEC returned an operational surplus of $195,000 to the Government in 1984. With technical assistance from the Department of the Interior and E.F. Hutton, we have established a cash management system which will earn at least $100,000 in 1985 by investment of funds which are temporarily idle. Long term debt has been re-negotiated according to a more realistic schedule and the Government is current in its debt service obligations. A schedule of debt service payments for the period 1985 through 1991 is attached.

The Government of the Marshall Islands continues to improve its financial management capabilities. With technical assistance from the Department of the Interior, legislation and regulations are being prepared in the areas of procurement, property management, accounts receivables, budgeting and off-shore banking. We are attempting to adopt model legislation in each of these areas.

Mr. Chairman, I am also happy to report that the Government of the Republic of the Marshall Islands is, I believe, one of the first governments in the Trust Territory of the Pacific Islands to submit a financial statement for fiscal year 1983 to the United States Government as required by Public Law 95-357. We intend to improve upon this performance for fiscal year 1984 by submitting an audited balance sheet and Federal grants audit which substantially conforms to the standards of the National Council on Governmental Accounting and the requirements of Circular A-102.

The Government is improving the efficiency of its operations by transfering certain functions to the private sector or to local governments. In 1984, the Ebeye Nursery Education program was turned over to a private sector corporation, and there are discussions going forward to turn over responsibility for operation of the Ebeye power plant and sewer plant to the Kwajalein Local Government Council and the Majuro electrical distribution system to MEC. We intend to continue to explore ways of spinning off government activities to local governments and to the private sector.

Economic Developments

There have been several encouraging events in the area of economic development. On 18 January 1985, President Kabua submitted to the United States the Republic's first National Development Plan. We now have a comprehensive framework for development of the Republic's economy over the next five years. We look forward to reviewing our plan with you and your staff.

In 1984, Tobolar Copra Processing Plant, which is owned by the Government, earned $5.4 million on sales of 4,084 long tons of processed copra oil. These figures represent an increase of over $2.0 million and 1500 tons over the comparable 1983 figures. The increases have been accomplished by taking advantage of high oil prices and purchasing unprocessed copra from the Gilbert Islands. Tobolar used its 1984 earnings to retire its short and long term debt and to provide drought assistance to the copra producers.

A survey done by the United States Geological Survey (USGS) of the Republic's undersea mineral resources was conducted in 1984 and may serve as a basis for further exploration and eventual exploitation of these resources. We appreciate the assistance given to us by the USGS and encourage further study. We will ask the Department of the Interior to provide this Subcommittee with a copy of its survey report when it is completed. We believe the report will indicate significant deposits of cobalt crusts on sea mounts within the Exclusive Economic Zone of the Marshall Islands.

We have also begun to work with the United States Government to initiate other projects to develop the Republic's natural resources. The U.S. Trade and Development Program has agreed to conduct economic feasibility studies for fisheries, coconut timber and coconut oil refinery projects. Further, the Department of the Interior has provided funds to retain a trade development specialist to promote foreign investment and trade in the Marshall Islands.

A fishing base in Majuro is nearing completion. This $2.9 million project, which is funded by the Government of Japan, will provide fuel, water, provisions, and cold storage facilities for fishing fleets. It is expected to double the number of vessels using Majuro as a port to 300 per year. In addition, MEC, which operates the Majuro fuel tank farm hopes to sell over six million gallons of fuel to fishing vessels and shipping lines in 1985. The resulting revenue will go to support the power plant operation and to assist in repaying the power plant loans.

The retail sector in Majuro and Ebeye are expanding. Gibson's, a Hawaii based retain chain, has opened a shopping center in Majuro, and other retail stores have upgraded their facilities and services in order to compete with Gibson's. In Ebeye, a warehouse for retail stores has been constructed and will soon open. Gibson's and Robert Reimers Enterprises, a large local merchant, are bidding on the contract to operate the facility.

Mr. Chairman, I note that some of these economic achievements would not have been possible without the availability of a reliable power from the new power plant. The Board of MEC reported a 50 percent increase in electricity consumption during last year, with an average load in December of 3.12 megawatts per hour and a peak load of 3.95 megawatts per hour. The plant's operating expenses were 8.8 cents per kilowatt hour, the most economical and efficient power production in the region.

The Government has worked hard to put necessary infrastructure in place and to develop a favorable climate for private sector expansion. These efforts are now beginning to pay off.

Fiscal Year 1986 Budget

The Administration is requesting $197.91 million in the fiscal year 1986 budget for the Marshall Islands, in accordance with the provisions of the Compact of Free Association. $150.0 million of this amount relates to settlement of claims arising from the United States Nuclear Testing Program (Section 177), $9.0 million is for Kwajalein land use payments and Kwajalein Atoll Development Authority projects, and $38.9 is for support of other government activities. Mr. Chairman, we are grateful for your leadership in moving the Compact so close to implementation. I believe that it represents the best hope of the Marshallese people for economic and social advancement.

The National Development Plan of the Republic of the Marshall Islands, a copy of which has been provided to the Committee, outlines the economic program which the Government will pursue during the first five years of the Compact period. In fiscal year 1986, Compact level funds will be used to initiate important projects in the infrastructure development and economic sectors. I note that the Plan has identified a shortfall of $78.3 million in funding available for project to be implemented during the next five years. This includes $43.3 million for the Kwajalein Atoll Development Authority and $35.0 million in other government projects. The supplemental budget request which we present today will make up part of the shortfall. We intend to seek foreign aid to fund the remainder of the shortfall. Possible sources include the Overseas Private Investment Corporation and the Export/Import Bank.

Mr. Chairman, there are important concerns not addressed in the Administration's Compact level budget request which we wish to call to your attention. Last year, your Subcommittee observed that "there is still some unfinished business" which must be addressed before the Trusteeship is terminated. The budget requests which we present today deal with this business and will ensure that United States commitments are met. Their funding will enable us to begin the economic investment program as outlined in the National Development Plan. I wish to make clear that our request for funding of these items is not presented as substitute for the Compact, but as a supplement to it.

As supplemental items, we request that the funding be appropriated to the Republic of the Marshall Islands in the categories below, which are listed in priority order. Justification of these items will follow. The items are:

1. transition funding to open and operate the new Majuro hospital, $0.9 million;

2. expansion of the outer island dispensary program, $0.7 million;

3. technical assistance programs, $1.1 million;

4. liquidation of a portion of the fiscal year 1982 and 1983 medical referral liabilities owed to Tripler Army Medical Center, ($1.0 million);

5. Kwajalein Atoll projects under the direction of the Kwajalein Atoll Development Authority, ($22.25); resettlement and clean-up programs for the peoples of Bikini ($51.25 million), Enewetak (11.0 million), and Rongelap ($3.2 million); Jaluit programs ($10.0 million); and for radiation related health care ($10.0 million);

6. construction of the College of Micronesia Nursing School, $3.2 million; and,

7. construction of a new capitol, $7.0 million.

We are also requesting supplemental funding to continue, for at least a three year transition period, Federal grant programs which will be terminated upon implementation of the Compact of Free Association. This would require that an additional $6.6 million be included in the budgets of various United States Government departments, to supplement the $3.0 million provided under Section 221(b) of the Compact as of block grant.

Finally, we request that provision to be made to pay outstanding war claims and to fund prior service benefits, and we request also that the fiscal year 1986 budget of the Department of the Interior be increased by $1.2 million for the College of Micronesia and that Federal grants be extended to the College into the Compact period.

Justification of Supplemental Request

Hospital Transition Project. Mr. Chairman, we seek your assistance to improve our ability to operate and maintain the new Majuro hospital. This capital improvement project, which Congress has funded, is anticipated to be completed in the Summer of 1985. My Government has begun a transition project to prepare for the opening of the new hospital.

We are negotiating with the Sisters of Mercy Health Services Corporation to provide technical assistance personnel in the areas of hospital administration, nursing, and plant maintenance. The first year of the contract will cost approximately $450,000, of which the Department of Interior will assist and provide $150,000.

The Department of the Interior asked the Sisters of Mercy to assess the transition needs of the new facility. Their report, which I would like to make part of the record, is somewhat disturbing. It concluded that at a "bare minimum", 55 additional staff would be required to open parts of the new facility. This includes 22 additional nurses, more public health personnel, additional pharmacists, dieticians, housekeeping, laundry, maintenance, laboratory, and security personnel. The report recommends that certain facilities and equipment not be opened or utilized, even with the additional 55 staff, until trained staff are available. This includes the Intensive Care Unit, the Neo-Natal Unit, and the Inhalation Therapy Unit.

There are striking differences between the present hospital and the new one, the latter has newer and more sophisticated equipment which will require trained personnel to operate and maintain it. The bed distribution is different. The present hospital has two 25 bed wards, a pediatric ward and an OB ward. The new hospital has 80 beds in private and semi-private rooms. This distribution will, by nature, require more personnel.

Mr. Chairman, it has become clear that a new hospital facility will not, by itself, produce improved health services for the Marshallese people. In fact, a more extensive transition effort is needed if the hospital is to contribute to improved health services in the Marshall Islands and is to reduce the need for expensive, off-islands referrals.

Mr. Chairman, I am convinced that money spent on improving the delivery of health care in the Marshall Islands is a good investment. It means that less costly, in-country care can be used in place of expensive, overseas care. We are requesting $0.9 million to procure additional technical assistance, purchase surgical equipment, and to staff the new facility in accordance with the recommendations made in the Sisters of Mercy report.

Outer Island Dispensary System. Our supplemental request also includes funds to expand our outer island dispensary program. Congress has provided $4.0 million to implement Public Law 96-205, the Burton Health Care Bill, to fund a health care program for Marshallese affected by the United States Nuclear Testing Program. This program is a good one and one which my Government supports. However, because it will be applied to only four atolls, these atolls will have health care systems which are vastly superior to those on other atolls.

This imbalance is contrary to our notions of fair treatment for all the people of the Marshall Islands. We have therefore, increased the budget for the outer island dispensary program in order to improve services on all atolls. Mr. Chairman, in your letter of 4 February 1985 to Ambassador Zeder, you indicated that your staff had received information "that the Marshalls Government had budgeted $68,900 for outer island health care in 1985." In fact, fiscal year 1984 expenditures for the outer island dispensary program were $478,100. The Nitijela appropriated $548,000 for fiscal year 1985, an increased of 14.6 percent. I note that this increase comes at a time when the overall operations budget increased by only 3.5 percent.

In addition to our own resources, we will receive $750,000 worth of medical supplies as aid from the Government of Japan in 1985, a portion of which will be allocated to the outer island dispensary program. I also note that $2.0 million will be available annually in the Compact period from Section 177 monies to provide for the health care needs of outer island residents affected by the Nuclear Testing Program.

Mr. Chairman, this shows that the Government of the Republic of the Marshall Islands is doing all that it is able to do to improve health care services for outer island residents. However, we freely admit that much more needs to be done and that is why we are requesting your assistance today.

As part of our expansion of the outer island dispensary system, a physican has been hired to plan and implement a more effective approach for outer island health care delivery. In October 1984, this physician completed an assessment of the medical care system in outer islands and found it to be incapable of delivering an adequate standard of medical care. He has developed a program for its improvement which is explained in detail in an attached statement. Funding in the amount of $0.7 million is requested to begin this program through a health assistant training project, installation of a medical communication system, purchase of basic medical equipment, and quarterly physician and public health team visits to all atolls.

Extension of Technical Assistance Programs. The Government of the Republic of the Marshall Islands has in the past received valuable technical assistance grants which have enabled us to improve our financial management, planning, and communication systems, develop civil aviation regulations, promulgate off-shore banking regulations, establish a patient monitoring system for the medical referral program, and provide training to police officers. We have also used Special Operations and Maintenance grant funds to procure technical assistance in the public works area.

Mr. Chairman, last year you observed that technical assistance "has made the difference between success and failure in many areas and continues to be needed...." We agree with your assessment and believe that the termination of this program is not advisable at this time. I also note that the phase out of most functions and support staff at the Trust Territory Administration and the termination of the Special Operations and Maintenance program will mean that many important assistance resources will longer by available to us.

Section 226 of the Compact of Free Association provides that the Government of the Republic of the Marshall Islands may request technical assistance from the Government of the United States. It is my understanding that unless funds are appropriated by Congress our Government will be required to pay for this assistance. In this regard, we are requesting $1.1 million for the purpose of procuring technical assistance in accordance with Section 226 of the Compact. Our fiscal year 1986 technical assistance program, which is explained in detail in an attached statement, includes projects to develop a Government-wide procurement system, continue an on-going project to train public works staff, hire a statistician, develop environmental protection regulations, determine the feasibility and costs of a national health insurance program, and train police officers.

Medical Referral Liabilities. Mr. Chairman, we wish to express our gratitude for appropriations to assist the governments in Micronesia to pay medical referral bills incurred prior to fiscal year 1982. Congress also provided a $2.0 million supplemental appropriation to the Republic of Palau. We understand that some of the funds appropriated to Palau were also used to pay outstanding medical referral bills.

Mr. Chairman, we are doing all that we can to bring the medical referral program under control. With the help of the Department of the Interior, the Government has hired a physician in Honolulu to monitor the caseload. As mentioned previously, we are contracting with a hospital management firm to assist us to operate the new Majuro hospital and have expanded the outer

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island dispensary program in order to improve the delivery of health services in outer island communities.

The Government has lived up to its agreement to pay $100,000 per month to the Department of Defense for prior and current year medical bills. We intend to continue to abide by this agreement in 1985. However, we seek funding in the amount of $1.0 million to liquidate the remaining medical referral liabilities which will be owed to Tripler Army Medical Center at the end of 1985.

I believe that this level of funding is fair. After all, much of the expense incurred for Tripler patients was due to the delay in repatriation. A report commissioned by the Department of Interior, known as the Siegel Report, compared the actual length of stay of Marshallese patients in fiscal year 1982 at Tripler against the norms used by in-patient utilization service organizations. The report concluded that the average length of stay should have been 61 percent less. This means that 1,662 days of in-patient care provided by Tripler in fiscal year 1982 were unnecessary, at a cost to the Government of almost $600,000 in room and board charges alone. We believe that a similar amount of unnecessary care was provided in fiscal year 1983. A copy of the Siegel report is attached to my statement.

Mr. Chairman, decisions as to how long Marshallese patients remained in Tripler hospital were made by the hospital and its physicians. These decisions were not made, nor could they be competently made, by a government which is 2500 miles from Tripler hospital. We have relied on the professional judgement of Tripler staff and are now being asked by the Department of Defense to pay for thousands of days of patient care which a report commissioned by the United States Government concluded were unnecessary. Mr. Chairman, I do not believe that this is fair.

The Siegel Report also show that, contrary to a statement made last year by a member of the House Committee on Foreign Affairs, the Government of the Republic of the Marshall Islands does not conduct its programs in a wasteful or abusive manner. The study evaluated the need for referrals and found that fiscal year 1982 referrals were merited in 89 percent of the admissions to Tripler, questionable in six percent, and not necessary in five percent. The report concludes there was "relatively little program abuse". I might add that the other statements made by the above-mentioned House member regarding my government were also incorrect.

KADA Infrastructure Projects. The Republic's National Development Plan includes $116.2 million for the period 1985-1989 for projects to improve the economy and living conditions in Kwajalein Atoll. An additional $22.25 million is requested to begin their implementation. These projects are listed in an attached statement. The most critical of these projects are the dock repair, the desalinization unit, the fuel farm, a third generating unit for the new power plant and a sanitary landfill project.

Resettlement/Clean-up Programs. We are also requesting funding for the resettlement of the peoples of Bikini, Rongelap and Enewetak and for clean-up of islands in Bikini and Enewetak atolls.

In addition to the $75.0 million that the people of Bikini will receive under the Section 177 Agreement of the Compact and the $26 million available to them in various United States Government established trust funds, funding in the amount of $51.25 million is requested for the people of Bikini in the following areas: (1) restoration of the Bikini Atoll, ($50.0 million); (2) continuation of the USDA food program, ($0.5 million); (3) supplemental food program ($0.3 million); (4) analysis of the Bikini Atoll Rehabilitation committee report, ($0.15 million); and (5) assessment of sunken vessels and cable in Bikini lagoon, ($0.3 million).

In addition to the $48.75 million provided to the people of Enewetak under Section 177 of the Compact, we also seek funding to resettle Engebi in Enewetak atoll. The Engebi people have not been able to return to their island because the radiation exposure levels have been above Federal standards. The House Interior and Insular Affairs Committee recommended that $10 million be appropriated in the fiscal year 1985 budget for a housing trust fund for the Engebi people. The amount which we request today is sufficient to begin the housing program and to expand the horticultural program on Enewetak. We also request $1.0 million to extend the Enewetak dock 100 feet. The location at which the dock was constructed accumulates sand which reduces the water depth at the face of the dock. Accordingly, the dock's utility is reduced. Removal of the sand would require the consent presence of a crane and dragline. Extention of the dock is the most economical solution.

We wish to inform you that the people of Rongelap have completed their plans to move to Ebadon Island in Kwajalein Atoll. The Rongelapese deserve the same degree of concern as do the other people affected by the Nuclear Testing Program. Accordingly, in addition to the $37.5 million that shall be provided to the people of Rongelap under the Section 177 Agreement, we request that $3.2 million be included in the budget to initiate the move. These funds will be used to construct 56 housing units, a solar power system, sanitary facilities, and initiate an agricultural assistance program. Additional funds for the move will be available to the people of Rongelap under the Compact Section 177 Agreement, as noted above.

We also request $10.0 million to supplement the $15.0 million available under Section 177 of the Compact to address the radiation related needs of those Marshallese affected by the U.S. Nuclear Test Program.

Jaluit Atoll Projects. We are requesting $10.0 million to begin the development of Jaluit Atoll, which is the third most populous community in the Marshall Islands. At present, Jaluit lacks infrastructure necessary to initiate development of its agricultural and marine resources. Attached to my statement is a detailed description of the economic investment projects which make possible this development.

College of Micronesia Nursing School. The presidents of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands endorsed the construction of a nursing school in their 5 October 1983 Saipan Accords.

The proposed nursing schooling would be an integrated medical learning facility to fulfill the demand for qualified nursing personnel in Micronesia. I believe that completion of the Nursing School is essential to our effort to train enough nursing staff to successfully operate the new Majuro hospital. The completion of the Nursing School will enable us to have trained staff available to open and operate the Intensive Care Unit an the Neo-Natal Unit at the new hospital.

The school would have facilities to train approximately 60 students, with living accommodations for 48 students and for 10 faculty and staff. The site designated, and already leased for this facility, is directly adjacent to the new Majuro Hospital, which, with 80 beds and nearly 60,000 square feet of space, has the potential of becoming the most sophisticated and best equipped hospital in the region. The school would operate in close connection with the hospital, utilizing its facilities, equipment and staff for practical training programs. The new facilities would be of institution quality construction with special emphasis on minimizing the harsh and corrosive effects of the tropical environment. A copy of the specifications for the project are attached for the Subcommittee's consideration. This project would cost approximately $3.2 million.

Capitol. The Department of the Interior requested funding for construction of Micronesian capitols in each of its budgets since 1983. Congress has decided to defer funding for the capitols, noting that higher priorities existed. The Department of State's fiscal year 1986 request for the Marshall Islands does not include funds for the Republic's capitol.

Mr. Chairman, we concur that there have been, and still are, many other construction projects which command a high priority. But time is running short for the trusteeship and we believe that it is now proper for the United States to honor the commitment it made in Secretarial Order 2918 to construct the capitols. The design of the capitol buildings for the Marshall Islands is complete, and it is estimated that the construction cost will be $7.0 million.

Extension of Federal Grant Assistance. Mr. Chairman, we wish to raise the issue of funding of Federal programs in fiscal year 1986 and beyond. As you know, under the Compact of Free Association, the Republic of the Marshall Islands will no longer be eligible for most Federal grant assistance. In lieu of the Federal grants, Section 221 (b) of the Compact provides $3.0 million in "block grant" monies.

Between 1980 and 1984, the Republic of the Marshall Islands has received an average of $7.8 million per year in Federal grant monies, or more than two and one-half times the level of block grant funding to be received under the Compact. Fiscal year 1985 Federal program expenditure will be approximately $9.6 million. It is clear that funding from the block grant will not be sufficient to permit the continuation of many important Federal programs.

Termination of Federal programs will adversely affect services provided under Federal programs in the areas of health, education, social services and infrastructure development. Health services Federal grant programs are directed at promoting primary health care among the population. With this focus, the overall wellness of the people will be increased, thereby contributing to higher living standards and a decrease in health care costs. Strides have been made in this regard and the continuation of certain National Public Health Program grants are important to further development.

In education, Federal grants have been instrumental in elementary and secondary curriculum development, upgrading teacher skills through specialized training, and the acquisition of textbooks and instructional materials. Recent legislative changes have made these programs more flexible, allowing for infrastructural development, such as school building renovations, and the development of programs that are more appropriate in our unique cultural setting. The elimination of these programs, which account for 40 percent of the annual education budget, would have a negative impact on the quality of the overall educational program implemented in the Marshall Islands. The funds provided by the block grant may not be adequate to replace the loss of all of the Federal education programs.

Currently, Federal programs funding infrastructural development projects in areas such as sanitation, housing and manpower development are being implemented in the Marshall Islands. Sewer construction grants through the Environmental Protection Agency are now in construction stages for Majuro and Ebeye. Plans for initial stages of a rural sanitation program have been approved the Trust Territory Environmental Protection Board at a funding level for fiscal year 1986 of $1.5 million. The Environmental Protection Agency is also about to implement a "Water Supply Initiative" that would significantly improve water supply and sanitation throughout the Marshall Islands. Housing and Urban Development grant programs are funding low cost housing loan projects and community based economic development programs. The Job Training Partnership Act has provided valuable vocational skill training for unskilled and underemployed youth who have no other career training alternatives. The loss of these programs is significant in terms of the long term development contributions they make.

Social development programs such the School Hot Lunch, Headstart, Juvenile Justice Delinquency Prevention, Aging and Historic Preservation have been made tangible contributions to the delicate social fabric of our changing society. There is a need and a desire for the continuation of these social programs to assure that a balanced development scheme is provided.

Mr. Chairman, I do not think that an abrupt termination of these programs is in the best interests of either of our nations. The Senate Committee on Energy and Natural Resources has recommended that there be a transition period during which time the Government of the Marshall Islands may find alternative ways of accomplishing the objectives of the Federal programs. We concur in this recommendation.

Section 224 of the Compact provides that the governments of the United States and the Republic of the Marshall Islands may agree that Federal grant assistance be extended during the Compact period. I urge the Congress to continue to make available Federal grant programs to the Marshall Islands in accordance with this clause and to instruct United States Government departments to include the Marshall Islands in their fiscal year 1986 program budgets. Attached is a list of Federal program which we suggest be continued into the suggested transition period.

College of Micronesia. Fiscal year 1986 funding for the College of Micronesia system is in jeopardy. As an attached statement shows, the College is funded by a combination of a basic grant from the Department of Interior, Federal grants (Pell grants and College Work-Study Grants), contributions from the governments which comprise the Trust Territory, tuition and fees, and other revenues. In 1984, the Department of the Interior basic grant was $1.5 million, or 37 percent of all revenues for the College. Federal grants receipts were $1.8 million, or 45 percent of total revenues. Together, these two sources of funds provide 82 percent of all operating funds for the College.

If no action is taken, the College of Micronesia will essentially lose both of these revenue sources beginning in fiscal year 1986. The Department of the Interior's fiscal year 1986 budget request only includes $300,000 for the College of Micronesia. In addition, the College will not be eligible for Pell Grants or Work-Study Grants when the Compact takes effect. These grants are used to meet the tuition costs for nearly all students enrolled in the College.

Mr. Chairman, the College of Micronesia plays an important role in the economic and social advancement of the countries in the Pacific region. It serves over 2,000 students on three campuses and four Continuing Education Centers by providing vocational and academic degree programs that are meeting the labor needs of our societies. Among the academic programs it offers are liberal arts, business administration, nursing, and education. Its occupational programs train farmers, fishermen, carpenters, plumbers, and mechanics. Without the College of Micronesia, very few of our people would have the opportunity to receive a post-secondary education. The shortages of skilled labor which exist throughout Micronesia will become more acute.

We request that Congress include $1.5 million in the Department of the Interior's fiscal year 1986 budget for a basic grant for the College and that it extend current Federal grant programs. In addition, we ask that Congress block efforts by the administration to rescind the $3.0 million appropriated as a land grant endowment to the College of Micronesia.

In the Saipan Accords, the presidents of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands agreed to seek "continued operational and programmatic support for the College of Micronesia now and during fee association." I believe that financial support from the United States will be needed for an extended period, or at least until the political status of the Republic of Palau is settled.

Summary

Mr. Chairman, we are grateful that the Administration is requesting funding to implement the Compact of Free Association for the Marshall Islands. We support this request as a good foundation for planning the fiscal year 1986 budget. However, we note that there are outstanding issues which need to be addressed. The supplemental items for which we have requested funding deal with these issues in a fair way. I ask for your support.

I will be happy to try and answer any questions you wish to ask. As you know, my Government has been operating within the constraints of austere budgets in recent year, and so we are not able to bring a large delegation to this hearing. If I am unable to answer any of the questions, I would appreciate the opportunity to refer them back to staff in Majuro and provide written answers for the record.

Thank you very much.

STATEMENT OF JONATHAN M. WEISGALL
LEGAL COUNSEL TO THE PEOPLE OF BIKINI
BEFORE THE HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
SUBCOMMITTEE ON PUBLIC LANDS

February 25, 1985

Mr. Chairman:

Thank you for providing this opportunity for the people of Bikini to express their views to you today.

Although my comments today are based in large part on what is -- or more precisely, what is not -- in the Compact of Free Association, I do not want to dwell on that document. The negotiating process took fourteen years. The Compact was the subject of extensive hearings before your Subcommittee last year, and three more hearings are scheduled for next month. The Bikinians' views are on the record.

If Congress ratifies the Compact, it seems unwise to transfer the funding and oversight functions for Micronesia from Interior to State Department and Foreign Affairs oversight and appropriations committees. The Compact is clearly a watershed mark in U.S.-Micronesian relations, but the problems in Micronesia are not going to disappear on the effective date of the Compact. Additional financial and technical assistance, such as is needed for the restoration of Bikini, will undoubtedly be requested in the post-Trusteeship period, and this should be handled through the traditional oversight and appropriations process. To reject the institutional knowledge, experience and expertise of members and staffs of the Interior oversight and appropriations committees, and to switch these responsibilities to Congressional committees whose members and staffs are not as familiar with Micronesian issues, be they related to Bikini or otherwise, would not be in anyone's interest, especially now, at the most critical time of the process -- the transition to and commencement of the new political status.

Let me now turn to the Bikinians' specific funding requests.

I. Cleanup of Bikini

The most important matter is the radiological cleanup of Bikini Atoll. The Bikini Atoll Rehabilitation Committee (BARC), formed at the direction of Congress in 1982 to determine the feasibility and cost of cleaning up Bikini, issued a report last November stating that it is technologically feasible to rehabilitate Bikini and that the approximate cost would be $40 million. Absent a cleanup, the Bikinians will not be able to resettle on Bikini for as long as 100 years.

Mr. Chairman, you have heard me testify at length on the justifications for the cleanup of Bikini, and there is no need to repeat these arguments. In a recent Associated Press story, you said: "I don't see how we can destroy their homeland and then wash our hands of it." That, in a nutshell, states the Bikinians' position exactly.

This is as bad a year as any in the last decade to bring new funding initiatives to the Congress. But the responsibility to clean up Bikini does not fall on the Reagan Administration alone. It is an unmet, nearly 39-year old moral and legal commitment of the U.S. Government, and it should transcend partisan politics. Without intending to imply that the Pentagon should pay for the cleanup, let me remind those of you who are concerned about military affairs that a $40 million cleanup of Bikini represents about one-twentieth of one percent of the $91 billion (in 1985 dollars) the United States spent on the nuclear testing program in the Marshall Islands through 1958. That program was of tremendous strategic value to the United States, and it led to billions of dollars of defense savings in the late 1940's and 1950's. As a matter of equity, you should also remember that the United States spent $105 million -- in 1978 dollars -- to conduct a radiological cleanup of Enewetak Atoll. It owes the Bikinians no less.

It would be a shame for the United States to close the books on the Trusteeship period without at least making a commitment to clean up Bikini. The Compact and the FY 1986 budget are silent on this responsibility, and I urge you to do as you did last year, which is to recommend the appropriation of $10 million yearly starting in fiscal year 1986 until the cleanup is accomplished.

II. Temporary Resettlement Outside the Marshall Islands

The Bikini Atoll Rehabilitation Committee states that a cleanup and revegetation program would take about ten years to accomplish, assuming the funding were available today. The Bikini people have been living "temporarily" on Kili Island since 1948, and it is their near-unanimous desire to resettle in the State of Hawaii until such time as it is safe to return to Bikini. Temporary resettlement in Hawaii would be financially feasible under the Compact and the Bikinians' own Resettlement Trust Fund, passed by Congress in 1982. That trust, however, limits the expenditure of funds to the Marshall Islands, principally Kili and Ejit, where most of the Bikinians now live. The Bikinians urge you to recommend, as you did last year, that the Appropriations Committees amend the legislation that established the Resettlement Trust Fund to permit the expenditure of income on resettlement outside the Marshall Islands until Bikini is determined to be safe for resettlement.

III. Independent Analysis of BARC Report

In 1968, the Atomic Energy Commission announced that Bikini Atoll was safe for resettlement. Its scientists were wrong, and the Bikinians later had to be moved off. As part of a 1978 settlement agreement of a lawsuit brought by the Bikinians against the United States, the U.S. Government agreed to pay for the services of a qualified independent scientist to review and assess Department of Energy (DOE) reports on Bikini. That independent review has been of great psychological importance to the Bikini people.

Without in any way intending to disparage the work of the Bikini Atoll Rehabilitation Committee, the Bikinians believe it would be in everyone's interest -- including their own desire to plan for the resettlement of Bikini -- to have the U.S. Government again pay for the services of an independent scientist or scientific organization to conduct an independent assessment of the Committee's reports. The Bikinians would propose selecting one of two highly respected institutions -- the New Zealand National Radiation Laboratory Department of Health or the United Nations Scientific Committee on the Effects of Atomic Radiation. The estimated cost of this independent review would be $150,000.

IV. Health Care

Five years after Public Law 96-205 was signed into law, the U.S. Government is finally about to select a contractor to run the Four-Atoll Health Care Program. The people of Bikini are hopeful that this program will be implemented quickly, since Kili and Ejit still lack dispensaries. The Bikinians have submitted testimony on this matter to your Subcommittee on four previous occasions (October 25, 1983, February 7, 1984, May 8, 1984 and December 31, 1984), and they have made their views clear to the Interior Department.

Last year your Subcommittee recommended a $7 million increase in this program from the present $4 million appropriation to create a permanent $11 million health care trust fund, with the income to be used to maintain the Four-Atoll Health Care Program in perpetuity.

At a minimum, creation of this type of trust fund, managed by a private sector trustee and accountable to the U.S. Government, would place a final price tag on what might otherwise constitute an indefinite financial commitment of the United States. The Bikinians urge your Subcommittee again to recommend this arrangement.

V. Food Assistance

As matters stand now, U.S.D.A. food support for the people of Bikini will cease on the effective date of the Compact, unless the Marshall Islands Government requires the United States to continue the program on a reimbursable basis. There is no indication that the Marshalls Government will make this request. The people of Bikini already spend nearly 75% of their income to purchase food commercially to supplement U.S.D.A. food shipments, and they urge your Subcommittee to recommend the continuation of the U.S.D.A. food program in the post-Trusteeship period.

As you know, the Interior Department will soon begin a supplemental food program for Kili and Ejit that will include the introduction of livestock and food planting activities. In this regard, the Bikinians also request a one-time $300,000 program to provide fresh fish, fruits, vegetables, meat and breadfruit, until the longer-range supplemental food program becomes productive.

VI. Cable and Vessels at Bikini Lagoon

Under the Compact, all rights, title and interest to the sunken vessels and cable in Bikini lagoon, remnants of the nuclear testing program, will be transferred to the people of Bikini. Unexpended ordnance and oil remain in the hulls of those ships, and a salvage operation of the vessels or cable could be hazardous. Since the condition of the vessels and cable may have an impact on the eventual cleanup and resettlement of Bikini, the Bikinians request that the U.S. Government conduct a study, which would cost approximately $300,000, to inventory and determine the condition of the vessels and cable. This study would determine the identity and location of the sunken vessels, the condition of the oil and ordnance, and the salvageability of this material, taking into account radiation levels in the lagoon and possible hazards associated with unexpended ordnance and the possibility of oil spills.

* * *

The people of Bikini deeply appreciate the strong support you and your Subcommittee have given to their plight, and they look to you, as they did to the late Phillip Burton, to see that the United States fulfills itr obligations to them. They ask you to give serious consideration to their requests, as you have in the past. I would be pleased to answer any questions you may have.

Thank you.

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OFFICE OF THE MAYOR

KWAJALEIN ATOLL LOCAL GOVERNMENT
Post Office Box [illegible]
Ebeye, Marshall Islands [illegible]
Telephone [illegible]

March 28, 1985

Honorable John F. Seiberling
U. S. House of Representative
1324 Longworth House Office Building
Washington, D. C. 20515

Dear Representative Seiberling:

In my testimony to your committee on February 25, 1985, I attempted to paint for the committee as accurate a picture as possible of circumstances as they now exist on Ebeye Island.

That testimony has been taken grossly out of context by U. S. Government representative and others, and has been distorted to try to minimize the extent of continuing need for assistance to our people.

Notwithstanding the improvement which has been made, largely as a result of the effort of our people, the needs of the people of Ebeye are still very great. They will not be met if the Compact of Free Association is adopted in its present form.

Ebeye continues to be, as it has been for many years, intolerable as a place to live and raise families.

I ask that this letter be placed in a public record of proceedings with regard to the Compact, to record my belief that the Compact would, if adopted in its present form, be a disastrous for our people.

Thank you very much for your continuing assistance.

Sincerely,

Alvin Jacklick
Mayor

REPUBLIC OF THE MARSHALL ISLANDS
MAJURO MARSHALL ISLANDS 96960 CABLE REPMAR

March 4, 1985

Ms. Patricia Krause
Professional Staff Member
Committee on Interior and
Insular Affairs
U.S. House of Representatives
Washington, D.C. 20515

In Re: The 25 February RMI Budget Submission

Dear Pat:

Per our conversations of 26 and 28 February, 1985, I have enclosed the information you requested in respect to expenditure and appropriations for outer island dispensaries in fiscal years 1984 and 1985, respectively. Per our discussions I have also enclosed an explanatory note from our planner regarding the short fall in KADA projects over the first five years of the National Development Plan.

Further, you requested an explanation of why DOI officials informed you that my Government had appropriated only $68,900 for outer island dispensaries for fiscal year 1985. Although I cannot be certain as to the origin of the DOI report, upon reviewing our 1985 appropriation figures it appears DOI added our travel budget of $25,000 and our equipment budget of $43,900 to get $68,900.

In respect to the KADA short fall, I note our planner was informed by KADA representatives that Congress may authorize funds earmarked for KADA to be accelerated.

If you need further information in respect to the above, please feel free to give me a call.

Before I close, I would, however mention that if you have any questions prepared for my Government in respect to the 14 March hearing on the Compact, I would be pleased to receive a copy at your earliest convenience. I understand that in a conversation last year between Congressman Seiberling and Chief Secretary DeBrum, Congressman Seiberling said he would make his Subcommittee's Compact questions for my Government available to us in advance of the hearing.

Sincerely,

Carl

Carl B. Ingram
Advisor to the President

REPUBLIC OF THE MARSHALL ISLANDS
OFFICE OF PLANNING AND STATISTICS
MAJURO, MARSHALL ISLANDS 96960

March 1, 1985

To : Ambassador Zeder's Office, attn. Carl Ingram
From: Office of Planning and Statistics

Subject: KADA's financial picture, 1985-89

KADA's planned financial requirements during the period 1985-89 amount to $ 116.2 million(Five Year Plan(FYP), p. 188-89). Assuming that KADA would receive 40 %(i.e. the capital account share) of the annual Compact grant earmarked for Kwajalein Atoll, the available amount is only $ 29.7 million(FYP, p. 150, and p. 152, footnote 1). This amount consists of $ 12.7 million reserves(LUA funds) and of $ 17.0 million to be received under the Compact.

Subtracting this available total of $29.7 million from the planned expenditures of $ 116.2 million, the initial KADA shortfall is $ 36.5 million.

However, KADA's financial position for the Plan period 1985-89 could improve substantially as follows:
[illegible] KADA would receive its Compact funding for the entire [illegible] year period up-front during the first five years, then an estimated $ 43.2 million would be added to the initial $ 29.7 million, so that KADA would have as available funds $ 72.9 million, reducing the shortfall to ($ 116.2 million - $ 72.9 million =) $ 43.3 million(FYP, p. 119-20). That is KADA's initial shortfall of $ 86.5 million would decrease by $ 43.2 million to only $ 43.3 million.

In summary:

Planned requirements (1985-89)		$ 116.2 million
Initial available	-	29.7
Initial shortfall		86.5
Payment up-front	-	43.2
Reduced shortfall		43.3

or:

Planned requirements(1985-89)		$ 116.2 million
minus: intitial available	$ 29.7	
minus: payment up-front	$ 43.2	72.9
Reduced shortfall		43.3

FOR OSCAR DE [illegible] FINANCE

O/I DISPENSARIES FINANCIAL DATA

	1984 ACTUAL EXP.	1985 BUDGET
PERSONNEL SERVICES	330.599	412.500
FREIGHT	7.203	7.500
RENTALS	786	0
PRINTING	114	0
FUEL	450	0
MEDICAL SUPPLIES	126,249	50,000 *
SUPPLIES AND MATERIALS	1,669	7,000
TRAVEL	11,033	25,000
CONTRACTUAL SERVICES	25	0
OTHER	0	2,000
EQUIPMENT	0	43,900
TOTAL	478,148	[redacted] 548,000

NOTE:

*ADDITIONAL SUPPLIES AVAILABLE THROUGH GRANT FROM GOVERNMENT OF JAPAN.

STATEMENT OF
MAYOR ALVIN JACKLICK
REPRESENTATIVE, KWAJALEIN ATOLL DEVELOPMENT AUTHORITY

February 25, 1985

Chairman Sieberling, members of the Committee, Secretary Montoya, and other distinguished participants in these hearings.

The Kwajalein Atoll Development Authority has now been in operation for almost two years with the assistance of the Government of the Republic of the Marshall Islands, and pursuant to Article VII of the Interim Use Agreement between that government and the Government of the United States. Legislation making the Authority a statutory corporation under the laws of the Marshall Islands is still pending before the Nitijela.

The Authority has begun to formulate a development plan for relieving the difficult living conditions that have existed on Ebeye and has begun to institute projects to alleviate problems there. This year has seen some significant progress over previous years in activity on Ebeye.

While power and water are still two elements in critically short supply, the consistentcy of service has improved dramatically. Power shortages are infrequent and the water distribution system is operating. However, water is still rationed and must be barged over from Kwajalein. This situation will have to continue until the proposed desalination plant is in operation.

The sewer system has been renovated and now works as well as does the salt water system for flushing toilets. These systems are being operated and maintained by a private operator under contract to the Ministry of Public Works.

The Hospital, which was a disgrace a mere two years ago, is now a model of operational efficiency as a result of the institution of an ongoing O&M program by the private contractor. A noticable difference in the morale of the staff is apparant and is reflected in improved cleanliness and quality of care. Funds are still not adequate however to provide the minimum service required for a community of this size. As an example, there is still no dentist for the island even though equipment for one is sitting in the hospital.

Design of the new power and desalination plant is nearing completion and ground breaking on the facility is schelduled for next week on the 7th of March

The Ebeye Warehouse is also to be completed next month and a request for proposals has been let to private companies to establish a much needed wholesale goods operation there. The intention is to strengthen the local business sector and provide a wider and more reasonably priced selection of goods to the Ebeye consumers.

An Environmental Impact Statement is being prepared on the proposed causeway project. A draft of the statement is due to be released next month. Design of the project is at the 65% stage.

The unhealthful dust situation on Ebeye has been largely alleviated with the paving of the main Ebeye roads which is nearing completion. Also phase one of a tree planting program has been carried out with over 500 pine and other types of seedlings having been planted as wind breaks. This is a community project sponsored by KADA and the Kwajalein Atoll Local Government with assistance from the Republic of the Marshall Islands Ministry of Resources and Development Agricultural Department.

The headstart program was in need of facilities to initiate a program for preschool children on Ebeye. KADA has constructed a 12 classroom facility to provide for this need.

Other projects include the completion of an office building for KADA, waterproofing of the the roof on the community services and shelter building, completion of renovation of existing water tanks and gutters on government housing, painting of water tanks and pumping facilities, purchase of fire hose and fittings for a temporary fire pump until Ebeye receives a fire truck scheduled to arrive this year, and design and funding for renovation of a tennis/basketball court and softball field.

In planning for future development, projects have been identified to provide the necessary infrastructure and adequate health, safety and welfare requirements to allow Ebeye to begin to develop economically and socially so that it can become the viable community it is capable of being. These projects have been incorporated into the National Economic Development Plan of the Marshall islands just recently adopted by the

Nitijela. However present funding under the IUA and the Compact as now identified will not be adequate without further enhancement to provide for this comprehensive development.

Moreover, to expedite the program, funding should occur at a maximum within the next five years so that up-front infrastructural development can be in place to allow orderly economic growth to follow. Presently the identified funding is spread over a 15 year period and if used at that rate will only produce inadequate stop-gap measures rather than allow for actual development.

If progress is to continue, for 1986 KADA should initiate the list of projects attached. Some of these, such as the dock repair, are critical to maintaining the status quo while others such as the third generator and causeway are parts of the ongoing development program.

Funding under the existing I.U.A. is totally obligated for the power and desalination plant project with a shortfall of 1 million. Projects such as the causeway, which must be funded under another I.U.A., or the Compact, should be started later this year. This will require advancement of Compact funding or substantial I.U.A. payments for FY '86.

We ask that this committee evaluate the overall needs of the Kwajalein infrastructure in dollars and assist in funding through the FY '86 budget process, or where appropriate, through other sources. We have attached detailed descriptions of projects, together with our 1986 funding needs in order of priority.

We appreciate the past support of the Committee, and its Chairman, which has been very encouraging to us. We ask that you continue to help us as we seek to obtain adequate infrastructure, maintenance capability, and a base for economic and social development.

2/25/85

1986 CIP PROJECT REQUIREMENTS FOR KWAJALEIN ATOLL

PRIORITY	PROJECT	NEED	US $ In1000's
A	Ebeye Dock Repair	[Emergency]	500
A	Desalination Plant Shortfall	[Health, Safety, Welfare]	1,000
A	Sanitary Land Fill	[Health, Safety, Welfare]	500
A	3rd Generator	[Infrastructural Develop.]	2,250
A	Causeway, Ph. I	[Infrastructural Develop.]	7,500
		SUBTOTAL:	11,750
B	Intra Atoll Dev. Projs.	[Health, Safety, Welfare]	250
B	Fire/Police Facility	[Health, Safety, Welfare]	400
B	Elementary School	[Social Development]	200
B	Emerg. Housing	[Health, Safety, Welfare]	400
B	New Facilities Preventive Maint.	[Infrastructural Support]	800
		SUBTOTAL:	2,050
C	High School	[Social Development]	200
C	Reservoir/Catchment	[Infrastructural Development]	600
C	Fuel Farm	[Infrastructural Support]	2,000
C	Water Distb./Collect.	[Infrastructural Development]	500
C	Telephone Upgrade	[Infrastructural Development]	250
C	Playgrounds & Parks	[Social Development]	100
C	Shelter Upgrade	[Infrastructural Development]	250
		SUBTOTAL:	3,900

TOTAL..............................**$17,700**

TESTIMONY OF
THE HONORABLE SANTOS OLIKONG
SPEAKER OF THE HOUSE OF DELEGATES
SECOND PALAU NATIONAL CONGRESS

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE, MY NAME IS SANTOS OLIKONG. I AM THE SPEAKER OF THE HOUSE OF DELEGATES OF THE SECOND OLBIIL ERA KELULAU. THANK YOU FOR THIS OPPORTUNITY TO SUBMIT TO YOUR SUBCOMMITTEE FOR THE FY 86 BUDGET OVERSIGHT HEARINGS ON BEHALF OF PALAU A TESTIMONY CONCERNING CERTAIN NEEDS WE STRONGLY FEEL WERE OVERLOOKED BY THE ADMINISTRATION. WE UNDERSTAND THERE ARE REASONS FOR THE ADMINISTRATION'S ACTIONS, NEVERTHELESS WE FEEL COMPELLED TO BRING YOUR ATTENTION TO THESE MATTERS WHICH ARE VERY IMPORTANT TO PALAU.

MR. CHAIRMAN, BEFORE I PROCEED WITH MY STATEMENT CONCERNING THE ADMINISTRATION'S FY 86 BUDGET PROPOSAL, ALLOW ME TO ADDRESS BRIEFLY A SUBJECT OF GREAT IMPORTANCE TO ALL OF US IN MICRONESIA. WE BELIEVE, AND OTHERS AGREE, THAT THERE IS AN URGENT NEED TO TAKE APPROPRIATE ACTION TOWARD THE TERMINATION OF THE TRUSTEESHIP AGREEMENT. IN ALL FAIRNESS TO OUR FRIENDS AND NEIGHBORS IN THE NORTHERN MARIANAS, FSM, AND REPUBLIC OF THE MARSHALL ISLANDS, WE URGE THIS BODY TO BEGIN THE PROCESS OF TERMINATION WITHOUT DELAY, IN SPITE OF PALAU'S SITUATION. THE INALIENABLE RIGHT OF THE PEOPLE OF MICRONESIA TO SELF-DETERMINATION MUST BE RESPECTED. THIS IS THE FUNDAMENTAL SPIRIT OF THE TRUSTEESHIP AGREEMENT TO WHICH ALL SIGNATORIES AGREED AND MUST, NOW, ACCEPT WITH REGARD TO THE PEOPLE OF NORTHERN MARIANAS, FSM, AND REPUBLIC OF THE MARSHALL ISLANDS.

MR. CHAIRMAN, WE ARE VERY MUCH ENCOURAGED BY A NEW POSITIVE ATMOSPHERE IN PALAU. OUR PRESIDENT HAS ASKED FOR COOPERATION AND BOTH HOUSES OF CONGRESS HAVE RESPONDED PLEDGING TO WORK TOGETHER WITH HIM ON RESOLVING MAJOR ISSUES FACING PALAU INCLUDING THE COMPACT OF FREE ASSOCIATION. REELECTED TO HIS SECOND TERM IN OFFICE, PRESIDENT HARUO REMELIIK HAS MOVED QUICKLY TO CLEAR THE FINAL PASSAGE OF THE COMPACT AGREEMENT IN PALAU. HE HAS DISSOLVED THE OFFICE OF THE PALAU STATUS NEGOTIATOR, HELD BY THEN AMBASSADOR LAZARUS SALII FOR THE REASON THAT NEGOTIATIONS HAVE BEEN COMPLETED. LAST MONTH, PRESIDENT REMELIIK SUBMITTED TO THE OEK SENATE A RESOLUTION CALLING FOR APPROVAL OF THE COMPACT. THE SENATE PASSED THIS RESOLUTION AT THE END OF LAST WEEK AND REFERRED IT BACK TO THE PRESIDENT FOR HIS FINAL SIGNATURE.

MR. CHAIRMAN, NEVER IN THE HISTORY OF PALAU AS WELL AS THE REST OF MICRONESIA HAVE HOPES FOR THE FULFILLMENT OF OUR DREAM TO BECOME SELF-GOVERNED BEEN SO HIGH. ALMOST 14 YEARS AGO WE BEGAN TO TALK ABOUT FREE ASSOCIATION AS A POLITICAL ALTERNATIVE FOR THE PEOPLE OF PALAU, FSM, AND REPUBLIC OF THE MARSHALL ISLANDS. THE TALKS WERE PREDICATED BY OUR BELIEF AND TRUST THAT THE UNITED STATES WILL NOT ABANDON ITS FULL LEGAL AND MORAL RESPONSIBILITIES AND OBLIGATIONS IN MICRONESIA BEFORE IT RETURNS THE REINS TO US. WE STILL HOLD TO THE SAME

TRUST AND BELIEVE THAT THE UNITED STATES HAS DONE FAR MORE THAN WE HAD HOPED TO PREPARE US FOR THE TREMENDOUS CHALLENGES AHEAD. ALTHOUGH WE ARE NOT TOTALLY CONFIDENT OF OURSELVES, WE ARE NONETHELESS ENTHUSIASTIC AND OPTIMISTIC OF WHAT LIES AHEAD.

MR. CHAIRMAN, AS WE APPROACH THE FINAL TERMINATION OF THE TRUSTEESHIP, ISN'T IT FITTING FOR THIS ADMINISTRATION, IN RETROSPECT, TO IDENTIFY ANY LOOSE ENDS AND TO ADDRESS THESE ONE OR TWO PROJECTS THAT MAY HAVE BEEN NEGLECTED? WE BELIEVE IT IS APPROPRIATE TO DO SO AND URGE YOUR SUPPORT IN SECURING ADDITIONAL FUNDING FOR SOME OF THESE UNMET NEEDS.

FIRST, THERE IS AN URGENT NEED FOR A NEW HOSPITAL. THE U.S. CONGRESS RECOGNIZED THIS AND APPROPRIATED FUNDS IN FY 82 FOR AN ARCHITECTURAL AND ENGINEERING DESIGN OF THE PROJECT WHICH IS NOW COMPLETED. THE COST OF THE NEW HOSPITAL IS ESTIMATED AT $18 MILLION. YOUR COMMITTEE, MR. CHAIRMAN, HAS CONTINUED TO RECOGNIZE THIS LEGITIMATE NEED AND RECOMMENDED ITS FUNDING IN FY 85 BUT OTHER PRIORITIES INTERVENED. WE URGE YOU TO RECONSIDER ITS FUNDING IN FY 86 AND HOPE IT RECEIVES ADEQUATE SUPPORT FROM YOUR COMMITTEE AND THE ADMINISTRATION. ADEQUATE HEALTH FACILITIES IN PALAU WILL CONTRIBUTE TO THE IMPROVEMENT OF HEALTH CARE AND COULD PROVE TO BE SOUND INVESTMENT IN THE LONG RUN.

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PALAU HAS ALMOST COMPLETED CONSTRUCTION OF A SEWER SYSTEM IN KOROR. THE SYSTEM WILL FURTHER DIMINISH THE POTENTIAL FOR OUTBREAK OF DISEASE. WHAT REMAINS TO BE DONE IS THE INSTALLATION OF A SIMILAR SYSTEM IN ARKABESANG ISLAND, SITE OF THE NEW RESORT HOTEL AND WHERE NEARLY 1,500 PEOPLE LIVE. IT HAS GREAT POTENTIAL FOR ECONOMIC DEVELOPMENT AND RESIDENTIAL EXPANSION AND REQUIRES A SANITARY SYSTEM TO PREVENT DAMAGE TO THE SURROUNDING ENVIRONMENT THAT MAY RESULT. BASED ON THE COSTS OF SIMILAR SYSTEMS IN KOROR, IT IS ESTIMATED THAT APPROXIMATELY $4.5 MILLION WILL BE NEEDED FOR THE ABOVE PROJECT.

IN FY 85, CONGRESS APPROPRIATED $2.5 MILLION FOR ROAD AND SEWER PROJECTS SHORTFALL IN KOROR. THESE FUNDS WILL ENABLE US TO COMPLETE THE KOROR SEWER SYSTEM AND THE PAVING OF MOST OF THE SECONDARY ROADS. PENDING COMPLETION, HOWEVER, ARE THE EXTENSION OF ROADS TO REMAINING KOROR VILLAGES WHICH WILL CONCLUDE THE ROAD SYSTEM CONSTRUCTION IN KOROR. PALAU WILL, THEN, BE ABLE TO TURN ITS FULL ATTENTION TO THE CONSTRUCTION OF ROADS AND OTHER PROJECTS IN BABELDAOB. ADEQUATE FUNDING IN THE COMPACT, UPON IMPLEMENTION, WILL ENABLE PALAU TO CARRY OUT ITS DEVELOPMENT PLANS FOR BABELDAOB.

PALAU HAS NOT BEEN ABLE TO PROVIDE ADEQUATE TRANSPORATION SERVICES TO THE PEOPLE OF THE OUTER ISLANDS. THIS HAS RESULTED IN DOCUMENTED TRAGEDIES WHICH OCCUR BECAUSE OF INADEQUATE

MEANS OF TRANSPORTATION TO THESE ISOLATED AREAS IN AN EMERGENCY. WE NEED ASSISTANCE AND ARE ASKING FOR APPROXIMATELY $120,000 TO CONSTRUCT TWO SMALL CORAL AIR STRIPS ON SONSOROL AND MERIR. THIS WILL ENABLE COMMUTER AIR SERVICE TO THESE ISLANDS MAKING POSSIBLE BETTER HEALTH CARE AND OTHER SERVICES TO THE PEOPLE. MOREOVER, FREQUENT FLIGHTS TO THESE ISLANDS CAN PROVIDE AIR SURVEILLANCE OVER NEARBY AREAS WHICH ARE FREQUENTLY RAIDED BY FISHERMEN FROM OTHER COUNTRIES. THESE POACHERS DAMAGE THE REEF BY USING DYNAMITE FOR FISHING AND UNLAWFULLY HARVEST GIANT CLAMS. UNFORTUNATELY, WE HAVE NO EFFECTIVE MEANS NOW TO STOP THEM.

MR. CHAIRMAN, THERE IS NO DOUBT OF THE POSITIVE RIPPLE EFFECTS CAPITAL IMPROVEMENT PROJECTS HAVE HAD ON THE ECONOMIC AND SOCIAL DEVELOPMENT OF PALAU. THE NEW AIRPORT, FOR EXAMPLE, HAS BROUGHT ABOUT, NOT ONLY IMPROVED AIR SERVICES, IT HAS STIMULATED GROWTH IN TOURIST TRADE AS NEVER BEFORE SEEN. AL NIPPON AIRLINES IS NOW PROVIDING CHARTER FLIGHTS FROM JAPAN MAKING THE FUTURE OF TOURISM EVEN MORE OPTIMISTIC. WE ARE CLOSE TO COMPLETING OUR PLANS FOR NEEDED INFRASTRUCTURE SO VITAL TO OUR SOCIAL ADVANCEMENT AND ECONOMIC SELF-RELIANCE. WITH YOUR SUPPORT TODAY WE WILL NOT COME TOMORROW FOR "MORE FISH."

FINALLY, OF COMMON CONCERN TO ALL OF US IN MICRONESIA WHICH WE BELIEVE MERITS YOUR SUBCOMMITTEE'S ATTENTION IS FUNDING FOR THE TRUST TERRITORY SOCIAL SECURITY PRIOR SERVICE

BENEFITS, A NEW CAMPUS FOR THE COLLEGE OF MICRONESIA, THE RESTORATION OF THE $3 MILLION ENDOWMENT GRANT TO THE COLLEGE, IN LIEU OF LAND GRANT AS PROVIDED BY LAW, AND THE TECHNICAL ASSISTANCE PROGRAM NOW DRASTICALLY REDUCED.

AGAIN, WE BELIEVE THESE ARE THE REMAINING UNFULFILLED NEEDS THAT ARE SO CRITICAL TO ALL OF US IN PALAU AS WELL AS THE OTHER TWO ENTITIES. I NEED NOT GO INTO THE DETAILS OF EACH OF THESE SUBJECTS AS THEY ARE WELL DOCUMENTED IN PREVIOUS TESTIMONIES. BUT I DO WISH TO JOIN MY COLLEAGUES IN APPEALING FOR YOUR SUPPORT IN FUNDING THESE PROGRAMS BEFORE THE FINAL CHAPTER OF THE U.S. ADMINISTRATION IN MICRONESIA COMES TO A CLOSE.

I THANK YOU AGAIN, MR. CHAIRMAN, FOR THE HONOR TO ADDRESS YOUR DISTINGUISHED COMMITTEE, ON BEHALF OF THE GOVERNMENT OF PALAU.

STATEMENT ON BEHALF OF PEOPLE OF ENEWETAK WITH RESPECT TO THE FISCAL YEAR 1986 PROJECTED REQUEST OF THE DEPARTMENT OF INTERIOR FOR ENEWETAK SUPPORT

Submitted by David R. Anderson, Esq.

Mr. Chairman, Members of the Committee, the proposed budget for Enewetak support for fiscal year 1986 is based on the assumption that the Compact of the Free Association will be in effect on October 1, 1985. You are in a much better position than I am to judge the likelihood that that assumption will be realized. The people of Enewetak, however, doubt that passage is sufficiently certain and that it would be prudent for this Committee to make no appropriation for Enewetak support for fiscal year 1986.

At a minimum, we ask that the Committee appropriate the same level of funds that were provided for fiscal year 1985 support. Should the Compact become effective before October 1st, Congress could rescind all or part of the appropriation. But if the Compact is not approved by October 1, 1985, there will be no funds to continue the programs on which the people of Enewetak are totally dependent. Most important, without such a standby provision, there is no assurance that the people of Enewetak will have any source of food on October 1. As you know, Enewetak currently obtains virtually all its foodstuffs from USDA surpluses and from the supplemental food program included in the Enewetak support budget. Unless the Interior Department and TTPI are in a position to continue these programs past October 1st, the people are likely to go hungry if the Compact has not been passed and replacement programs initiated. The same is true of the other programs covered by the Enewetak Support appropriation: the planting maintenance program, the housing maintenance, and the funds for the operation of Wetak II.

It is our view that the funds should be continued for the transitional year unless the Compact is approved in time to permit the Government of the Marshall Islands to institute replacement programs by October 1, 1985. The likelihood of that happening, however, is quite remote. As far as I know, no one expects final approval of the Compact by June 30, a date which would allow only three months for RepMar to take over and begin operating the Enewetak Support Programs now funded by Congress and administered by TTPI. Indeed, there is a serious question in my mind as to whether or not RepMar has any plans to take over these programs or to fund them at levels adequate to meet the needs of the Enewetak people. Thus, unless and until you have a firm assurance from both governments that these programs will be maintained once the Compact is approved, funds should be provided for these programs and explicit legislative instructions given to Interior to continue to operate the programs until it is able to certify to your Committee that RepMar has adequate programs to replace them are underway.

As you see, our main objection to the proposed budget is that it does not face up to the lack of transitional arrangements by which RepMar will assume the responsibility for these programs. Accordingly, unless the Enewetak Support budget is reinstated, there is no assurance that the settlement on Enewetak can be supported through the coming fiscal year.

Compact of Free Association

FY 1986
Summary Statement

(dollars in thousands)

1984 Actual		1985 Estimate		1986 Request		Incr./Decr.	
Position	Funds	Position	Funds	Position	Funds	Position	Funds
--	$--	--	$--	--	$299,270	--	$299,270

The Compact of Free Association regulates the relationships between the United States and the two freely associated states of the Marshall Islands and the Federated States of Micronesia. Under the Compact, the United States is granted full powers and authority for defense and security matters, including the right to establish military bases and support activities, throughout the freely associated states. The Compact specifies the amounts and attendant objectives and purposes of United States grant and service assistance to each of the freely associated states.

The overall policy goals of the United States with regard to the Compact of Free Association are based on a review and articulation of United States policy by the Senior Interagency Group on Foreign Policy and were approved by the President on September 21, 1981. The United States intends, through the implementation of the negotiated and mutually agreed Compact of Free Association, to create and maintain conditions sufficient for the termination of the 1947 Trusteeship Agreement and its replacement by the bilateral relationships set forth in the Compact. The Compact implements long-term United States national security requirements and provides the basis for the accomplishment of shorter term contingency basing and logistic needs. An equally important policy goal of the United States is to see political stablity in the freely associated states. The Compact accomplishes this goal through its provision of annual grant assistance which each freely associated state government will use to finance its government recurrent service programs and its capital development and construction programs. Additionally, the Compact specifies the provision of certain limited federal programs and services in technical areas not yet within the expertise of the freely associated state governments.

The Compact of Free Association will provide annual financial assistance to the Marshall Islands and the Federated States of Micronesia over a fifteen year period. The average annual amount of this assistance over this period is $153.5 million. Of this amount, an annual average of 12 percent will be devoted to the financing of federal services with the remainder to be provided directly

Compact of Free Association

to each of the freely associated state governments for their use. General Compact grant assistance is divided into current and capital accounts and will be used by the freely associated state governments for government operations and capital development respectively. Both the current and capital accounts are subject to a limited inflation adjustment with each years adjustment factor being two-thirds of the annual percentage change in the US GNP Implicit Price Deflator, or 7 percent, whichever is less. Each years adjustment factor is then added to the adjustment factor of all prior years starting with FY 1981. The resulting cumulative adjustment factor then adjusts the Compact base amounts for each year. There is therefore no compounding in the adjustment process.

The first year (FY 1986) budget estimate for Compact funding is $299.27 million including inflation adjustment. The first year estimate exceeds by $153.13 million the second year estimate and exceeds by $145.77 million the average annual Compact budget estimate. This is due to the inclusion of several one time first year payments, the most significant of which is a one-time $150 million payment for the settlement of all claims resulting from the United States Nuclear Weapons Testing Program in the Marshall Islands.

Compact of Free Association with the Marshall Islands, and the Federated States of Micronesia

SUMMARY OF REQUIREMENTS
(dollars in thousands)

FUNDS

	Centrally Managed	Bureau Managed	Total Funds
1985 CURRENT ESTIMATE			
1986 BASE			
Program Changes:		$299,270	$299,270
1986 REQUEST (BUDGET AUTHORITY)		299,270	299,270
Increase or decrease of 1986 over/from 1985		299,270	299,270

Comparison of Activities	1984 Actual	1985 Estimate	Built In Changes	1986 Base	Program Changes	1986 Request
Compact of Free Association					$299,270	$299,270
TOTAL OBLIGATIONS					299,270	299,270
TOTAL BUDGET AUTHORITY					299,270	299,270

Compact of Free Association with the Marshall Islands, and the Federated States of Micronesia

SUMMARY OF CHANGES
(dollars in thousands)

	POSITIONS					FUNDS		
	Americans							
	Dom.	Ovseas	S Tot	FSNs	Total Pos.	Centrally Managed	Bureau Managed	Total Funds
1986 Estimate								
1986 Base								
Program Changes:								
Marshall Islands								
Micronesia, Federated							$36,130	$36,130
States of								
Program Grants							77,530	77,530
Federal Services							166,860	166,860
							18,750	18,750
SUBTOTAL, Program Changes							299,270	299,270
1986 Request (Budget Authority)							299,270	299,270

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Compact of Free Association

FY 1986
Explanation of Changes

Compact of Free Association

INCREASES

Program Changes:

Grant assistance to the freely associated states of the Marshall Islands and the Federated States of Micronesia, $113,660,000. This increase is required by the termination of the Trusteeship Agreement and the consequent termination of administrative responsibility of the US Department of the Interior as a consequence of the implementation of the Compact of Free Association and the assumption of management responsibility for the free association relationship by the Department of State under the direction of the National Security Council. This amount which will be provided to the freely associated states in the form of grant assistance, will finance their government operations and capital development programs and will be used by them in accordance with the applicable terms of the Compact.

Special categories of assistance to the freely associated states of the Marshall Islands and the Federated States of Micronesia, $185,614,000 This increase is required by the implementation of the Compact of Free Association and the assumption of management responsibility for the free association relationship by the Department of State under the direction of the National Security Council. Of this amount, $18.750 million, will be used to reimburse those agencies of the federal government which provide services or programs to the freely associated states in accordance with the Compact of Free Association and its subsidiary agreements.

Compact of Free Association with the Marshall Islands, and the Federated States of Micronesia

SUMMARY OF PROGRAM AND PERFORMANCE
(Dollars in Thousands)

FUNDS

Comparison of Activities	1984 Actual	1985 Estimate	Built In Changes	1986 Base	Program Changes	1986 Request
Compact of Free Association						
Marshall Islands						
Current Account					$18,900	$18,900
Capital Account					10,500	10,500
Inflation Account					4,830	4,830
Kwajalein Impact					1,900	1,900
SUBTOTAL, Marshall Islands					36,130	36,130
Federated States of Micronesia						
Current Account					42,600	42,600
Capital Account					24,000	24,000
Inflation Account					10,930	10,930
SUBTOTAL, Federated States of Micronesia					77,530	77,530
Program Grants						
Sec. 177(b)					150,000	150,000
Sec 216					6,700	6,700
Sec. 221(b)					10,000	10,000
Sec. 213(b)					160	160
SUBTOTAL, Program Grants					166,860	166,860
Federal Services						
Sec 122					280	280
Sec 223					8,300	8,300
Sec 232					10,170	10,170
SUBTOTAL, Federal Services					18,750	18,750
SUBTOTAL, Compact of Free Association					299,270	299,270
TOTAL OBLIGATIONS					299,270	299,270
TOTAL BUDGET AUTHORITY					299,270	299,270

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FY 1986
Justification of Program and Performance

United States Grant Assistance to the
Freely Associated State of the Marshall Islands
and the Federated States of Micronesia

Marshall Islands

	Positions		Funds
	American	FSN	(in thousands)
Current account grant fund......	--	--	$18,900
Capital Account grant fund......	--	--	10,500
Inflation Adjustment:			
current/capital grants.....	--	--	4,830
Kwajalein Atoll Impact Funding.	--	--	1,900
Total Marshall Islands.....	--	--	36,130

Federated States of Micronesia

	Positions		Funds
	American	FSN	(in thousands)
Current account grant fund......	--	--	$42,600
Capital Account grant fund......	--	--	24,000
Inflation Adjustment:			
current/capital grants.....	--	--	10,930
Total Fed. States of Micro.	--	--	77,530

The 1986 program is required to fund the grant assistance pledged to the Governments of the freely associated state of the Marshall Islands and the Federated States of Micronesia in Title Two of the Compact of Free Association for the first year after its effective date. These amounts were negotiated with the Governments of the two states incident to the termination of the Trusteeship Agreement and are authorized by the terms of the Compact. They are pledged on the basis of the full faith and credit of the United States and constitute an international commitment of the United States.

Compact of Free Association

The current account grant will be used by the two governments to finance their recurrent government services and programs, including salaries and expenditures. No federal personnel will receive compensation through this funding.

The capital account grant constitutes the United States contribution to the Marshall Islands and Federated States of Micronesia capital development programs for this funding year. The Governments will use this funding to contract for major construction projects, for economic development and for the maintenance of major infrastructures.

The inflation adjustment amounts will be used by the governments for current account and capital account purposes. These amounts are derived according to the formula specified in Section 217 of the Compact of Free Association using July, 1984 performance assumptions for the US GNP Implicit Price Deflator.

The Kwajalein Atoll impact funds will be used by the Government of the Marshall Islands to finance programs and activiites which offset the impact of United States military activities in the Kwajalein Atoll area of the Marshall Islands.

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Compact of Free Association

United States Grant Assistance to the
Freely Associated States of
The Marshall Islands and the Federated States
of Micronesia for the
Special Categories of Program Grants

	Positions		Funds
	American	FSN	(in thousands)
Compact Sect. 177(b) one-time grant.	--	--	$150,000
Compact Sect. 213(b) one-time grant.	--	--	160
Compact Sect. 216 one-time grant...	--	--	1,330
Compact Sect. 216 recurrent grant..	--	--	5,370
Compact Sect. 221(b) recurrent grant	--	--	10,000
Total Program Grants			166,860

The 1986 program is required to fund the grant assistance pledged to the Government of the Marshall Islands and the Federated States of Micronesia in Title Two of the Compact of Free Association for the first year after its effective date. These amounts were negotiated with the freely associated state governments incident to the termination of the Trusteeship Agreement and are authorized by the terms of the Compact. These amounts are pledged on the basis of the full faith and credit of the United States (unless otherwise indicated below) and in all cases constitute international commitments of the United States.

Section 177(b) one-time grant $150,000,000.

The Compact Section 177(b) one-time grant of $150 million will be paid to the Government of the Marshall Islands in consideration of its espousing and settling all claims of itself and all of the citizens of the Marshall Islands arising out of the United States nuclear weapons testing program which was conducted in the Marshall Islands from 1946 to 1958. The Government of the Marshall Islands has agreed to indemnify the Government of the United States with this funding if potential future claims against the United States are successful. This grant is not subject to the full faith and credit pledge of Compact Section 236.

Section 213(b) one-time grant $160,000.

The Compact Section 213(b) one-time grant of $160 thousand will be paid to the Government of the Federated States of Micronesia in consideration of the continued use by the United States Coast Guard of certain lands in Yap State of the Federated States of Micronesia. This amount represents the fair market lease value of the land in question and was negotiated and agreed with the Government of the Federated States of Micronesia.

Compact of Free Association

Section 216 one-time grant $1,330,000.

The Compact Section 216 one-time grant of $1.33 million will be paid in equal portions to the Governments of the Marshall Islands and the Federated States of Micronesia according to the division formula mutually agreed by those governments. It will be used to finance the initiation costs of the maritime jurisdiction and surveillance programs which each government will implement.

Section 216 Recurrent Grants $5,370,000.

The Compact Section 216 recurrent grant of $5.37 million will be paid to the Governments of the Marshall Islands and the Federated States of Micronesia according to the division formula mutually agreed by those governments. The Governments are required to use the funding, in the aggregate, to fund post-secondary scholarship programs ($2.69 million), medical referrals and other medical and health care expenses ($1.79 million) and annual costs of maritime surveillance and enforcement programs (.89 million). The Compact obliges the United States to make the amount of $5,370,000 available for these purposes each year for fifteen years.

Section 221(b) Recurrent Grants $10,000,000.

The Compact Section 221(b) recurrent grant of $10 million will be paid to the Governments of the Marshall Islands and the Federated States of Micronesia in the amounts of $3 million and $7 million, respectively. The freely associated state governments are required to use the funding to finance governmental activities in the education and health care areas in accordance with the provisions of Article XI of the Compact of Free Association subsidiary agreement on Federal Programs and Services. The Compact obliges the United States to make the amount of $10 million available for these purposes each year for fifteen years. This grant is not subject to the full faith and credit pledge of Compact Section 236.

Compact of Free Association

United States Grant Assistance to the Freely Associated States of The Marshall Islands and the Federated States of Micronesia for the Special Categories of Federal Services

	Positions		Funds
	American	FSN	(in thousands)
Compact Sect. 122 recurrent cost...	--	--	$ 280
Compact Sect. 223 annual cost......	--	--	8,300
Compact Sect. 232 annual cost......	--	--	10,170
Total Federal Services.........	--	--	18,750

The 1986 program is required to fund the federal services pledged to the Governments of the Marshall Islands and the Federated States of Micronesia in Title Two of the Compact of Free Association for the first year after its effective date. The level of services were negotiated with the freely associated state governments incident to the termination of the Trusteeship Agreement and are authorized by the terms of the Compact. The provision of these services constitutes an international commitment of the United States.

Section 122 Recurrent Costs $280,000.

This recurrent cost will be paid to the Foreign Service Institute of the Department of State to finance its programs for the training of diplomats from the freely associated states. It is anticipated that this cost will remain approximately constant during the fifteen year financing period.

Section 223 Annual Costs $8,300,000.

This annual cost will support continued attendance at post secondary institutions of the United States by those citizens of the Marshall Islands and the Federated States of Micronesia who were attending such institutions on the effective date of the Compact for the duration of their academic terms. Those students receiving assistance under Basic Education Opportunity Grants or Secondary Education Opportunity Grants will qualify for this continued assistance and all other provisions pertaining to those grants will apply. After the qualified recipients of this assistance have finished their academic terms, no future costs are authorized by the Compact.

Compact of Free Association

Section 232 Annual Cost of Federal Services $10,170,000.

The annual costs of these federal services will be distributed by the Department to those agencies which are required to provide services to the freely associated states pursuant to Compact Section 221(a) and in accordance with the terms of the Federal Programs and Services Agreement (the agreement subsidiary to Compact Section 232). The FY 1986 request will be distributed in the following manner:

United States Coast Guard	$2.00 million
Federal Aviation Administration	1.35 million
Department of Transportation	1.02 million
Federal Emergency Management Administration	3.11 million
NOAA/Weather Service	1.35 million
United States Postal Service	1.35 million
Total	$10.17 million

The Coast Guard reimbursement is a one-time cost and will be used for conversion to civilian use of those fixed and floating aids to navigation in the freely associated states which the United States no longer requires for defense purposes. The reimbursements to the other agencies are annual costs as the United States is obligated to provide the Federal services specified for the initial fifteen year funding period of the Compact.

Compact of Free Association with the Marshall Islands, and the Federated States of Micronesia

REQUIREMENTS BY OBJECT CLASS
(dollars in thousands)

Object class	1984 Actual	1985 Estimate	Built in Changes	1986 Base	Program Changes	1986 Request	1986 Inc Ovr 1985
Other services:					$18,750	$18,750	$18,750
Grants, subsidies, and contributions					280,520	280,520	280,520
TOTAL OBLIGATIONS					299,270	299,270	299,270
TOTAL BUDGET AUTHORITY					299,270	299,270	299,270

October 26, 1984

COMPACT OF FREE ASSOCIATION

United States economic assistance to the Marshall Islands and the Federated States of Micronesia

($ in millions)

FY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	TOTAL
MARSHALL ISLANDS																
Current Account	18.90	17.90	17.90	17.90	17.90	15.60	15.60	15.60	15.60	15.60	13.80	13.80	13.80	13.80	13.80	237.50
Capital Account	10.50	10.50	10.50	10.50	10.50	8.80	8.80	8.80	8.80	8.80	7.60	7.60	7.60	7.60	7.60	134.50
Inflation Account	4.83	5.48	6.24	6.95	7.59	7.08	7.63	8.19	8.75	9.30	8.65	9.13	9.62	10.11	10.60	120.15
Kwajalein Impact	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	28.50
SUBTOTAL	36.13	35.78	36.54	37.25	37.89	33.38	33.93	34.49	35.05	35.60	31.95	32.43	32.92	33.41	33.90	520.65
FEDERATED STATES OF MICRONESIA																
Current Account	42.60	39.60	39.60	39.60	39.60	34.60	34.60	34.60	34.60	34.60	27.60	27.60	27.60	27.60	27.60	512.00
Capital Account	24.00	25.00	25.00	25.00	25.00	21.00	21.00	21.00	21.00	21.00	17.00	17.00	17.00	17.00	17.00	314.00
Inflation Account	10.94	12.47	14.20	15.80	17.27	16.13	17.40	18.66	19.93	21.20	18.02	19.04	20.05	21.07	22.09	264.26
SUBTOTAL	77.54	77.07	78.80	80.40	81.87	71.73	73.00	74.26	75.53	76.80	62.62	63.64	64.65	65.67	66.69	1090.26
SPECIAL CATEGORIES																
Program Grants																
Sec. 177(b)	150.00															150.00
Sec. 213(b)	0.16															0.16
Sec. 216	6.70	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	81.86
Sec. 221(b)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	150.00
Federal Services																
Sec. 122	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	4.26
Sec. 223	8.30	6.30	4.88	2.46												21.94
Sec. 232	10.17	11.34	12.60	13.86	15.12	16.83	17.64	18.90	20.16	21.42	22.68	23.94	25.20	26.46	27.72	284.04
SUBTOTAL	185.61	33.29	33.13	31.97	30.77	32.48	33.29	34.55	35.81	37.07	38.33	39.59	40.85	42.11	43.37	692.26
TOTAL	299.27	146.14	148.47	149.62	150.54	137.59	140.22	143.31	146.39	149.48	132.90	135.66	138.43	141.19	143.96	2303.18

Inflation Account calculated according to Compact Section 217 using July, 1984 assumptions for the U.S. Gross National Product Implicit Price Deflator.

Funding provided in Compact Sections 122, 177, 221, 223 and 232 is not subject to the full faith and credit provisions of Compact Section 236.

REPUBLIC OF PALAU
OFFICE OF THE PRESIDENT
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Koror, Palau 96940

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REPUBLIC OF PALAU
JUSTIFICATION OF OPERATIONS FUNDING FOR FISCAL YEAR 1986

In the event that the Republic of Palau will not be able to finally ratify the Compact of Free Association with the United States prior to Fiscal Year 1986 budget taking effect on October 1, 1985, which this Government is fully cognizant of the definite financial benefits to be derived from such Compact, and will therefore continue to vigorously work toward its ratification before that time, the Republic of Palau, as in all these past years, once again is submitting to the United States Congress through the Department of Interior its Fiscal Year 1986 budget request for consideration.

Fully recognizing that the Federal operations funding is a form of supportive nature rather than funding the total 1986 budget requirements, with a moderate increase of $629,000 over Fiscal Year 1985 budget of $10,501,000, it is true that the allowances set for Palau in the amount of $11,130,000 for Fiscal Year 1986 will definitely enable the Republic of Palau achieve some of its economic goals. This means with the slight increase including others from other sources will help Palau meet its minimum requirements in enhancing its economic, social and political developments under the Constitution. Changes of funding level over Fiscal Year 1985 from various sources are as follows: $629,000 in Federal operations; no changes in local revenues; and $9,586,000 in other Federal grants (by Grantor agencies). Funding for Special Operations and Maintenance and Capital Improvements Projects is treated elsewhere as a part of this budget request.

Inasmuch as there will be some increases of funding in Fiscal Year 1986, the noticable significant effect will be in the areas of fuel cost, supplies, material, equipment, some personal contracts and cost of some new ten positions much needed. Local revenue sources take two forms. One composes of taxes derived from the new tax code which took effect on October 1, 1984 and fees and other charges generated from existing statutes and Executive Directives; and the other represents reimbursements. It is expected that with the new tax code we will be able to assess, levy and collect taxes far greater than in the past years as the code contains not only new categories of tax but also provides for much rigorous administration and enforcement of the law. Penalties are much stiffer than in the old tax law. This will force the taxpayer to comply with the law.

As for reimbursements, they are also expected to go up in 1986 due to new policies implemented. Hospital bills and utility bills collection have shown much improvements. We hope to maintain the same level of collection or even higher.

It should be noted that other Federal Grants should increase in 1986 as it is anticipated that the the Office of the High Commissioner will most likely close in October of this year and responsibility to administer and control these federally given funds along with the portion of funds maintained there will be transferred to the three entities which include the Republic of Palau. This will see greater increase in funding to Palau.

As for Capital Improvements Projects, please note that we have completed the form marked: Sources of Construction and Special Project Funding, but full justification and other related information for each project will be provided under a separate cover. Hopefully, the material will be in the mail shortly.

TABLE I

Sources of Local Revenues

Revenue Source	1984 Revised Estimate	1985 Revised Estimate	1986 Estimate
a. Taxes and Fees	$3,830	$5,800	$5,800
b. Reimbursements	1,882	2,000	2,000
TOTAL	$ 5,712	$ 7,800	$ 7,800

Application of Local Revenues

A. Operations	$5,712	$7,800	$7,800
B. Construction			
C. Enterprise Funds			
D. Debt Service			
E. Other			
TOTAL	$ 5,712	$ 7,800	$ 7,800

TABLE II

Sources of Other Federal Grants
(Non-TIA)

Grantor Agency	1984 Revised Estimate	1985 Revised Estimate	1986 Estimate
a. DHHS/PHS	$450	$450	$2,311
b. DOE	1,390	1,390	4,008
c. DOA	690	690	2,731
d. DOJ	91	91	242
e. DHUD	70	70	346
f. DOI/NPS	25	25	244
g. DOL	---	---	673
h. DOC	---	---	130
i. EPA	---	---	1,424
j. DOT	---	---	193
TOTAL	$ 2,716	$ 2,716	$12,302

Application of Federal Grants

	1984 Revised Estimate	1985 Revised Estimate	1986 Estimate
A. Operations	$2,660	$2,660	$12,026
B. Construction	56	56	276
C. Other			
TOTAL	$ 2,716	$ 2,716	$12,302

TABLE III-A

Operations Account Summary

DOI Funded Program	1984 Revised Estimate	1985 Revised Estimate	1986 Estimate	Inc (+) or Dec (-) 1986 over 1985
a. President	$247	$298	$313	$ + 15
b. Vice Pres./State	707	707	742	+ 35
c. Administration	569	732	769	+ 37
d. Social Services	3,191	3,218	3,379	+ 161
e. National Resources	4,484	4,616	4,951	+ 335
f. Justice	935	610	640	+ 30
g. Judiciary	320	320	336	+ 16
Total DOI Funding	$10,453	$10,501	$11,130	$ + 629
Total Local Funding for Operations	5,712	7,800	7,800	---
Total Other Federal Grants for Operations	2,716	2,716	2,988	+ 272
Total Operations Budget	$18,881	$21,017	$21,918	+ 901
Total Funded Positions	1,438	1,438	1,448	+ 10

TABLE III-B

Operations Acct. Summary
(1984 Revised Estimate Includes $2 Million Supplemental)

DOI Funded Program	1984 Revised Estimate	1985 Revised Estimate	1986 Estimate	Inc (+) or Dec (-) 1986 over 1985
Office of President	$262	$298	$313	$ + 15
Vice Pres./State	938	707	742	+ 35
Administration	719	732	769	+ 37
Social Services	4,114	3,218	3,379	+ 161
National Resources	4,944	4,616	4,951	+ 335
Justice	1,098	610	640	+ 30
Judiciary	378	320	336	+ 16
Total DOI Funding	$12,453	$10,453	$11,130	$ + 629
Total Local Funding for Operations	5,712	7,800	7,800	---
Total Other Federal Grants for Operations	2,716	2,716	12,302	+ 9,586
Total Operations Budget	$20,881	$21,017	$31,232	+ 10,215
Total Funded Positions	1,438	1,438	1,448	+ 10

TABLE IV A -1

All-Sources for
Operations Budget
FY 1984

Operations Program		Local Revenues	Other Federal Grants	Interior (TIA) Grants	Total
a.	President	$50		$247	$297
b.	Vice Pres./State	252		707	959
c.	Administration	110		569	679
d.	Social Services	254	$2,530	3,191	5,975
e.	National Resources	338	95	4,484	4,917
f.	Justice	10	91	935	1,036
g.	Judiciary	---		320	320
h.	Legislature (OEK)	1,147		---	1,147
i.	State Governments	1,604		---	1,604
j.	Other Programs	897		---	897
TOTAL		$ 4,662	$ 2,716	$10,453	$ 17,831

TABLE IV A-2

All-Sources for
Operations Budget
FY - 1984
(Includes $2 Million Supplemental)

Operations Program	Local Revenues	Other Federal Grants	Interior (TIA) Grants	Total
				-
Office of President	$61		$262	$323
Vice Pres./State	323		938	1,261
Aministration	155		719	874
Social Services	541	2,530	4,114	7,185
National Resources	481	95	4,944	5,520
Jusitce	60	91	1,098	1,249
Judiciary	17		378	395
Legislature (OEK)	1,473		---	1,473
State Governments	1,604		---	1,604
Other Programs	997		---	997
TOTAL	$ 5,712	$ 2,716	$12,453	$ 20,881

TABLE IV B

All-Sources for
Operations Budget
FY 1985

Operations Program	Local Revenues	Other Federal Grants	Interior (TIA) Grants	Total
a. President	$63		$298	$361
b. Vice Pres./State	519		707	1,226
c. Administration	552		732	1,284
d. Social Services	1,411	2,530	3,218	7,159
e. National Resources	397	95	4,616	5,108
f. Justice	586	91	610	1,287
g. Judiciary	130		320	450
h. Legislature (OEK)	1,680		---	1,680
i. State Governments	1,647		---	1,647
j. Other Programs	815		---	815
TOTAL	$ 7,800	$ 2,716	$10,501	$ 21,017

NOTE: TOTAL FY-85 APPROPRIATIONS TO DATE FOR REGULAR OPERATIONS EXCEED ESTIMATED REVENUES BY $653,000.

TABLE IV C

All-Sources for Operations Budget FY 1986

Operations Program	Local Revenues	Other Federal Grants	Interior (TIA) Grants	Total
a. President	$63		$316	$379
b. Vice Pres./State	519		749	1,268
c. Administration	552		776	1,328
d. Social Services	1,411	$9,050	3,411	7,605
e. National Resources	397	3,010	4,892	5,394
f. Justice	586	242	647	1,333
g. Judiciary	130		339	469
h. Legislature (OEK)	1,680		---	1,680
i. State Governments	1,647		---	1,647
j. Other Programs	815		---	815
TOTAL	$ 7,800	$ 12,302	$11,130	$21,918

TABLE V

Drawdown of Operations Grants

	FY 1985 Revised Estimate	FY 1986 Estimate
October	$1,050	$1,298
November	1,050	1,298
December	1,050	1,298
January	745	1,113
February	800	1,113
March	1,080	1,113
April	875	742
May	875	742
June	875	742
July	510	557
August	511	557
September	1,080	557
	$10,501	$11,130

TABLE VI

Sources of Construction and Special Project Funding
FY 1986
($000)

Projects (in order of Priority)	Local Funding	Other Federal Grant Funding	Debt Funding	Private Source Funding	Interior Funding	Total
a. Palau Nat. Hospital					$16,800,000	$16,800,000
b. Palau Elec. Power System Improvement					6,000,000	6,000,000
c. Palau Water System Improvements					4,050,000	4,050,000
d. Palau Major Renov. Project					2,320,000	2,320,000
e. Palau Farm Roads Improvements					6,000,000	6,000,000
f. Koror Roads Improv.					3,874,000	3,874,000
g. Koror Sewer System Improvements					3,135,000	3,135,000
h. Palau Outer States Electrification					615,000	615,000
i. Palau Capital Reloc.					2,600,000	2,600,000
TOTAL					$45,394,000	$45,394,000

For each project for which Interior funding is requested provide a monthly outlay schedule for the total duration of the construction or project period, including planning and design phases.

Jaluit Atoll - Sub- District Center
Republic of the Marshall Islands

Development Budget Request

In a report last year, the Committee on Interior and Insular Affairs reported that a Government Accounting Office study indicated that "the United States' responsibility for Capitol Improvement Programs were not as close to being completed as the Department of the Interior would lead us to believe". It is the belief of the Honorable Senator Carl Hiene, Jaluit Atoll and Senator Evelyn Konou, Jaluit Atoll that there are unfinished projects of the Administering Authority. Jaluit Atoll is one of them.

Jaluit Atoll is a Sub-District center in the South Marshall Islands with a population of approximately 2,000 people with a projected growth of 3.5% a year. It has a High School which presently accommodates 200 students from many atolls and islands throughout the Marshalls. The student population is expected to double to 400 within five years. It is presently served periodically by the Airline of the Marshalls (AMI) utilizing a small unpaved runway. There is a power plant with limited capacity which serves a small portion of Jabor Island. Water provided by individual roof catchments and shallow wells. The Jabor-Jaluit road linking the two major population centers is presently unpaved coral. The only medical facility is a dispensary staffed by one Medical Officer.

In order for economic development to succeed in this area it is requested that the following CIP projects should be funded as listed below:

Jabor-Jaluit Water Project

It is proposed that a three phase project be funded to assure the present and future supply of water is provided for the expanding population.

Jabor-Jaluit Lens Well Study. The scope of work for this study will delineate the extent of the potable water and determine the amount that can be safely pumped from the aquifer.

Estimated cost	$ 250,000

Water Project The scope of work for this second phase of the project would provide for the construction of a lens well gallery system, pumps, two reservoirs (1-raw water and 1-treated), water lines with house connections and a filtration and clorination plant

Estimated cost	$2,500,000

Water Connection to Airport The scope of work for this phase would be the final connection, upon completion, of the Airport Extension and Paving Project (see below) which provides for additional backup of water and the recharging of the lens wells.

Estimated cost $ 100,000

Jaluit Airport Extension and Paving Project

The scope of work for this proposed project would be to expand the existing airport runway to accommodate the larger AMI aircraft. It would also provide for asphaltic concrete paving over the runway and aprons. By constructing proper elevations, the paving would allow for the development of a large catchment area for rainwater. It is estimated that with each inch of rain would capture up to 500 thousand gallons of water. This system would be similar to the Majuro and Kwajalein Atoll runway catchments.

Estimated cost $ 400,000

Jaluit Airport Terminal

The scope of work for this proposed project would be to construct a terminal building to provide accommodations to the numerous passengers at the present and in the future. The Jaluit airport is one of the busiest in the Marshall Islands outside of Majuro and Kwajalein.

Estimated cost $ 150,000

Jaluit Sewer System Project

The scope of work for this proposed project would provide for the protection of the potable lens well system by construction a piped sewer system, primary treatment plant, and a deep ocean outfall on Jabor to handle the present and future population. It would also provide individual house connections. By funding this project additional benefits will be realized in the reduction of water borne diseases presently attributable to contamination of the potable water supply.

Estimated cost $2,000,000

Jabor-Jaluit Road Paving Project

The scope of work for this proposed project would provide for the grading paving with asphalt, and sealing the present road connecting the two population centers of Jaluit Atoll. This road is an economic pipeline which if paved, would be a major incentive for copra producers and trading companies to increase their activities. The road is also a link to the airport from both centers.

Estimated cost	$1,500,000

Jabor Power Plant Upgrade and Electrical Distribution Project

The scope of work for this proposed project would provide funds for the upgrading of the present power plant and expansion of the electrical transmission lines. In order for economic development to proceed in Jaluit and essential services requirements are to be met, it is of the utmost importance that a safe and reliable electrical system be provided. It must allow for the increasing need of the business and residential communities, both now and into the future.

Estimated cost (Power Plant Upgrade)	$ 500,000
Estimated cost (Electrical Distribution)	$ 500,000

Jaluit (Jabor) Dock Project

The scope of work for this DOI partially funded project in the amount of $880 thousand is to design and construct a new dock at Jabor, Jaluit Atoll. Included in the scope is the removal of the existing dock which had failed structurally and is collasping.

A review of the Jaluit Dock Projects plans designed in 1978 by the Corp of Engineers is being studied at this time. These plans estimated that the total construction costs and removal of the existing dock would be approximately $2 million. Adding a conservative estimate for inflation the past seven years (7 years X .05%) would indicate that the present day cost would be an additional of $.7 million or $2.7 million total. Given the amount of the grant, an additional $1.82 million should be requested from the DOI to complete the scope of work the Corp of Engineers thought was necessary in 1978 for this project.

Estimated additional cost	$1,820,000

Renovation of Jabor Dispensary Project

The scope of work for this proposed project would be to renovate and install new equipment to the existing Jabor Dispensary. This facility will serve as a Medical referral for the entire South Marshall Islands. At present it is staffed with one Medical Officer, but with the growing population, ie., residential and high school, the demand for additional medical services is critical.

Estimated cost	$ 250,000
Total requested	$9,970,000